

a development  
**PASSION / VISION**  
for our customers

**+ferreycorp**



# **PASSION**

for our customers

It is our vocation to create the highest value for our customers, both in Peru and abroad. To be alongside them. With the solid ability to meet their needs. Always with more and more solutions. Our customers are our inspiration.

With its products and services, Ferreycorp serves the economic sectors that drive progress in the countries where it operates. This positive impact transcends the corporation, bringing about its sustainability.

a development  
**VISION**





## DECLARATION OF RESPONSIBILITY

This document contains accurate and comprehensive information about Ferreycorp S.A.A.'s business development during 2016.

Without detriment to the issuer's responsibility, the undersigned accept responsibility for its contents in accordance with applicable legislation.

**Mariela García Figari de Fabbri**  
General Management

**Patricia Gastelumendi Lukis**  
Corporate Finance Management

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**Lima, March 29, 2017**

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**PASSION FOR OUR CUSTOMERS,  
A DEVELOPMENT VISION**

»»»» **2016 ANNUAL REPORT**

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# 1— A Letter from the President

During 2016, Ferreycorp continued developing its business strategy in the capital assets, consumables and related services areas in Peru and other Latin American countries, supporting customers from the main economic sectors, in particular infrastructure construction, mining, agriculture and fisheries. This business strategy allowed us to consolidate our outstanding leadership position and to provide sound economic results for our shareholders, in addition to accomplishing good corporate governance and CSR objectives.

In order to reach our objectives, the corporation's companies are organized in three large groups, with operational autonomy and financial and specialized services support from the parent company. The first group of companies is



## 1— A Letter from the President

dedicated to the distribution of the Caterpillar brand in Peru; the second group to the distribution of Caterpillar in Central America; and the third group consists of companies dedicated to transport, logistics, services and consumables, with activities that generate great synergy with the core capital assets business. These groups implemented the corporation's growth strategy and generated this fiscal year's positive results.

The companies' activities had to cope with a challenging economic environment in Peru and other countries in which they operate (mainly Guatemala, El Salvador and Chile), which caused a setback for the corporation's sales. The factors that caused the greatest impact in Peru were, on one side, the decline of investment in infrastructure, with the resulting reduction of the earthworks machinery market; and on the other side, the lack of new investment in open pit mining projects, which had been the main growth drivers during the previous years. In the other countries, the mineral prices crisis and other political and social phenomena prevented reaching the sales objectives.

The reduction in machinery and equipment sales was offset, in part, with larger spare parts and services sales, which, together with expenses reductions, allowed the corporation to reach a consolidated net profit of PEN 230 million, 42% higher than the previous year. On its side, the corporation's EBITDA was PEN 583 million; this represents 12% of the sales, the same level as in the previous year.

In total, the corporation's consolidated sales reached PEN 4,856 million, which when compared to the previous fiscal year's PEN 5,332 million, represent an average sales decrease of 8.9%.

It is important to emphasize that, despite the market's contraction, customers continued to show a clear preference for the equipment, spare parts, consumables and services offered by the corporation's companies.

Regarding assets management, the corporation's companies made important progress, by carefully handling stock rotation and thus avoiding risk levels due to possible

supply restrictions from production plants. They also continued to manage customers' financing through local and foreign financial institutions, saving for themselves short term or transitory financing operations.

Special mention must be given to the performance of Ferreyros, company that accounts for 62% of the corporation's sales; it is the undisputed leader in the heavy machinery market in Peru through the distribution of Caterpillar equipment and other related machinery. During 2016, Caterpillar machinery reached a market share of 53% (according to official imports statistics), thus generating an important potential for after-sales businesses. This high market share is a result of several factors that include the quality of the products we represent, the excellence of the comprehensive services we offer and our continuous efforts to introduce cutting-edge products. In this line, we can mention the successful consolidation in Peru of Caterpillar's largest mining truck, the 797F, which can carry 400 tons. Regardless of the slow expansion of the mining sector, Ferreyros has managed to

## 1— A Letter from the President

place 100 of these trucks and, more recently, successfully introduce the Cat 794 AC electric truck. In addition, it is introducing a hybrid machinery model and gas-powered generators. Finally, we must mention our active presence in underground mining, where we maintain a clear leadership position, which has generated renewed expressions of satisfaction from our main represented brand.

»»»» **The reduction in machinery and equipment sales was compensated, in part, by an increase in the sale of spare parts and services, that, along with a great effort to control costs, enabled the achievement of a consolidated net income of S/ 230 million, 42% greater than the previous year.**

The performance of the other companies was affected by the circumstances already mentioned; in some cases, this produced lower than expected results. However, their supplementary role in the offer of goods and services to our loyal customers, as well as the harsh measures taken to improve their efficiency, including the complete redesign of some businesses allows us to look forward with optimism to their future performance.

In order to reach profitable handling and economies of scale for the corporation, we continued to deploy standards and procedures that should improve the group's efficiency. In addition, a redesign of the subsidiaries' corporate identity was completed, thus starting a gradual transition towards a simplified model. For instance, the Mega Representaciones subsidiary, dedicated to the commercialization of consumables (Mobil lubricating oils, Goodyear tires and 3M industrial safety equipment) for several economic activities, changed its name to Soltrak. With this new identity, Soltrak strives to consolidate itself in its field and to reflect its development plans, which include the

internationalization of its activities, hand in hand with its represented brands, as it has done in 2016 with a foray into Bolivia. Likewise, the Transportes Pesados S.A. El Salvador subsidiary, leader in heavy transport spare parts commercialization, adopted the new Motored denomination, which is the legal name of the Peru subsidiary specialized in providing transport solutions. In this way, a unique identity for all the corporation's businesses dedicated to transport was consolidated.

Thanks to the results already described and to a good outlook, Ferreycorp offered during 2016 a high profitability to its shareholders. The share value started the year at PEN 1.33 and closed at 1.69, registering an increase of 27%, to which must be added a cash dividend of 8% of the equity capital, given in May. Therefore, the total profitability for investors with shares at the beginning of the year was 34%.

During 2016, we continued with the share repurchase programs, and a market maker agent was hired. This way, during 2016, 50 million shares were repurchased; this is equivalent to 5% of the outstanding shares.



## 1— A Letter from the President

Regarding other instruments issued by Ferreycorp, we can mention that the corporation's good reputation in the capital markets sector, and the existence of certain financial conditions, allowed a successful partial repurchase of USD 120 million in corporate bonds from a total of USD 300 million placed in the international market on 2013, with due date 2020. This way, a reconstitution of the corporation's financial liabilities with a more flexible debt structure and lower financial costs was achieved; this allows for a better exposition against eventual changes in market conditions and a better utilization of cash surplus.

In the fiscal year 2016, the corporation continued its capital expenditures plan, through Ferreyros, which started construction of a second Repair Center for Components in Peru, in La Joya area, in Arequipa, on a 50,000 sq.m field, to broaden service capabilities for the larger mining equipment in the southern region in Peru. On the other hand, in a 170,000 sq.m field purchased in 2015 in the district of Punta Negra, the corporation is preparing the first 50,000 sq.m to service the companies Fargoline, Ferreyros and Unimaq.

2016 was no exception in management with standards and social responsibility and, above all, a firm belief in business ethics. The corporation and its subsidiaries are aware of the role they play as one of the leading corporations in the country and it is for this reason that they are committed with the sustainability and the socially responsible management. Therefore, since the generation of positive impact is one of its strategic goals, diverse and valuable actions have been deployed during the year.

First of all, considering the importance of the role of its collaborators, the companies in the corporation executed various actions to promote a good working environment, as well as the integral workforce development.

Along with these, they developed initiatives related to the business ethics, the relation with the community and the care for the environment, which resulted in the recognition awarded by the institution Peru 2021 as Socially Responsible Companies to several subsidiaries of the corporation. This award is considered one of the most important CSR recognitions given in the



**\$/ 4,856  
million**

were the consolidated sales of the corporation.



**53%**

is the market share reached by Caterpillar in Peru at the end of 2016.



**34%**

was the total return for an investor who acquired shares of the corporation at the beginning of 2016.

## 1— A Letter from the President

national business sector. Ferreyros has received this recognition since 2012, while Soltrak and Fargoline were awarded the same in the following year.

It is worth mentioning, among other initiatives, the training and development programs for technical staff and operators of heavy-duty equipment in the country through the Operators Club, launched in 2013, and the Technical Club, established in 2016. Additionally, the workshops provided by the Ferreycorp Association, established 20 years ago, offer ethical and citizen training for college students, and received over 2,000 students during the year, most of them coming from within the country, reaching near 30,000 students that have attended to the workshops during these years. Finally, the corporation continued to participate in the Public Works Tax Reduction mechanism, completing Works for Taxes in Junin and Cerro de Pasco in 2016, and engaging in new projects in Cusco.

The positive results of the fiscal year 2016 came along with several manifestations of

appreciation from civil society, which honors and drives us to continue working with the highest ethics and social responsibility standards.

This way, for the ninth year in a row, the market share of the corporation maintained the level in the Good Corporate Governance Index (IBGC) of Lima Stock Exchange (BVL by its acronym in Spanish) as a result of the validity of the Good Practices in Corporate Governance in the corporation. Ferreycorp, with 54 years of presence in the Peruvian stock market and over 2,300 shareholders from Peru and abroad, is a member of IBGC since it was launched in 2008. The companies that are included in this index are recognized for the compliance of Good Governance Principles for the Peruvian Companies. Additionally, BVL and the firm EY published one more time “The Voice of the Market” ranking, which, in 2016, highlighted Ferreycorp as the second company with the Best Practices in Corporate Governance, gathering the insights of the main capital market players, local and foreign.

On the other hand, its commitment to these values has enabled it to continue in the Circle of Companies of the Latin American Round Table of Corporate Governance (Companies Circle), where it was invited to participate over a decade ago with 15 leading companies in Corporate Governance of our region.

Finally, Ferreycorp, for the fourth year in a row, won an award as one of the ten “Most Admired Companies in Peru”, a ranking prepared by “G de Gestion” magazine and the firm PwC, and its subsidiary Ferreyros was included as one of the ten companies with the best reputation in Peru and for the fifth year in a row with the best reputation in the industry sector, according to the Merco ranking.

In the field of human resources management, six companies of the corporation have been recognized as members of the Good Employers Association and, for the third year in a row, Ferreyros was recognized as one of the 10 Best Companies to Recruit and Retain Talent in Peru and as a leader in its field, according to the prestigious ranking Merco Talento 2016.

## 1— A Letter from the President

With respect to Ferreycorp Board, I am very proud to inform our shareholders that, during the fiscal year 2016, the suggestions made in the last general Ordinary Meeting of Shareholders were incorporated, among which we can mention continuing with the acquisition of treasury stock and the evaluation of the status of some investments with no link to the core-business.

To develop its functions it performed twelve monthly sessions, acted as the subsidiary Ferreyros Board in other ten sessions and its members actively participated in the General, Auditing and Risks, and Committee of Appointments, Compensations, and Corporate Governance, and Innovation and Technology

committees, recently created. Even though some directors have expressed their will to not participate for reelection in this Board, I wish to express my deepest recognition for their dedication, loyalty and professionalism, expressed, in some cases for many years, in the careful management and supervision of the company and the representation of every shareholders' interests.

At the presentation of this Annual Report, we find ourselves starting a new year, with the usual commitment and optimism of the corporation. Even though in the last weeks various kinds of events have arisen that could affect the infrastructure sector and could

imply an impact in the Peruvian growth rate, we consider that 2017 will offer significant challenges and opportunities for business, which will compel us to strengthen our efforts. As for the other countries where the corporation operates, the growth projection of their economies are very moderate, which should not prevent a positive behavior from our companies.

It is expected that, even with the circumstances previously described, we will experience an investment growth that will reinvigorate the business environment and, for that matter, greater trading possibilities for companies like ours, that are related to the fields that are driving forces for the economy. The important portfolio of projects of the national and local roadway system, highways, bridges, water supply and sanitation Works, among others announced by the Government and the establishment of a mandatory target of implementation of public investment of 90% for 2018, offers encouraging prospects. Besides, the actions related to the relationship between the mining projects and communities in the areas of influence should enable investments

- »»»» **The Corporation's continuous good practices of corporate governance supported its inclusion, for the ninth consecutive year, on the Index of Good Corporate Governance (Indice de Buen Gobierno Corporativo or IBGC) of the Lima Stock Exchange. Furthermore, La Voz del Mercado 2016 ranking highlighted Ferreycorp as the number two corporation with best practices of corporate governance.**

## 1— A Letter from the President

that have been postponed in the last years in the field of large-scale open-pit mining.

Considering these business prospects, the companies in the corporation will continue to maximize the market coverage to seize every opportunity they find, offering new value proposals to their customers, through

the incorporation of greater technology and innovation. At the same time, they will continue to make adjustments in their organization to improve efficiency and reach greater levels of profitability.

In conclusion, I must reiterate our recognition to our shareholders for the confidence placed in the

Board, reaffirming our disposition for a fluent and clear relation; to our customers for their loyalty and continued preference; to Caterpillar and the other prestigious brands represented, for their continued support and to those who have granted us financial endorsement.

Hereafter, it is my pleasure to present to the fellow shareholders the 2016 Management Report, prepared by the Management and approved by the Board in session on 28 February 2017, as well as the Financial Statements, according to Conasev Resolution N° 141.98 EF/94.10, which establishes the presentation of the companies' Annual Reports, including the statement of responsibility set forth by this regulation.



**Óscar Espinosa Bedoya**  
Chief Executive Officer

A large yellow tracked mining machine with a crane arm is the central focus of the image. The machine is positioned on a dirt and mud-covered ground, likely at a construction or mining site. The crane arm is extended upwards, and a large pulley wheel with the number '1' is visible. The background shows a cloudy sky and a dirt embankment. The overall scene is industrial and rugged.

strategic  
**PASSION / VISION**  
for excellence

Ferreycorp continues its consolidation as a leading Latin American business group with high levels of excellence. The corporation focuses its efforts on offering customers a portfolio of capital goods and services of the highest level. More than 6,500 employees are committed to this goal.

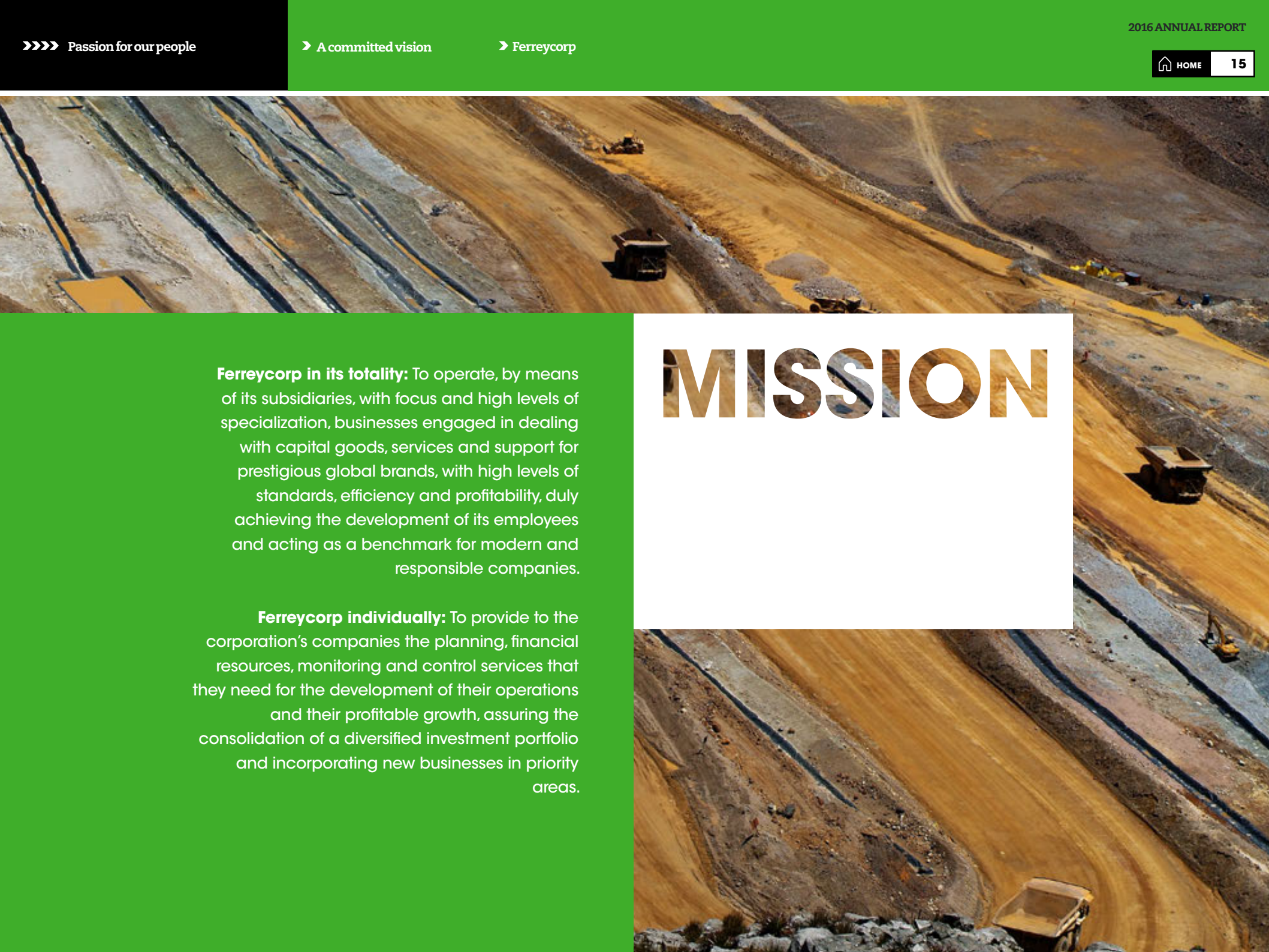


# VISION

To be recognized as a leading economic group in Peru with a presence in the Latin American region and as an excellent supplier of capital goods and related services, that contributes to increasing the productivity and profitability of the economic sectors in which it participates and that boosts the development of the countries where it operates and of its different stakeholders.

Ferreycorp is recognized for its operating and financial capabilities as the preferred corporation for adopting new businesses and representations in its field.

The companies that conform the corporation recognize the holding as the entity that promotes and facilitates their profitable growth with the highest standards and degree of efficiency.



**Ferreycorp in its totality:** To operate, by means of its subsidiaries, with focus and high levels of specialization, businesses engaged in dealing with capital goods, services and support for prestigious global brands, with high levels of standards, efficiency and profitability, duly achieving the development of its employees and acting as a benchmark for modern and responsible companies.

**Ferreycorp individually:** To provide to the corporation's companies the planning, financial resources, monitoring and control services that they need for the development of their operations and their profitable growth, assuring the consolidation of a diversified investment portfolio and incorporating new businesses in priority areas.

# MISSION

## 2— We Are Ferreycorp

### ABOUT FERREYCORP

Ferreycorp is a Peruvian corporation that has been around for 94 years, that is specialized in the provision of capital goods and related services. With over 6,500 collaborators, it is active mainly in Peru, its country of origin, Chile, Ecuador, Colombia, and in several countries in Central America.

Caterpillar is a global leader in heavy-duty equipment and Ferreycorp holds its representation through our companies, as well as the representation of other world-class brands. Simultaneously, our companies offer services related to the capital goods field; in this way, our subsidiaries articulate a comprehensive portfolio with solutions for clients that enhances the corporation's market coverage.

Ferreycorp's mission is to operate businesses, through its focused and highly specialized subsidiaries, that deal with the allocation of capital assets and supplies, as well as with services and support for recognized global brands, with the highest standards and exemplary levels of efficiency and profitability. They do all this while





## 2— We Are Ferreycorp

making possible the growth of our employees and serving as a benchmark for modern, responsible companies.

Ferreycorp is a publicly traded partnership whose shares have been traded on the Lima Stock Exchange (Bolsa de Valores de Lima—BVL) since 1962. Recognized for its extensive experience in the capital market for its stock as well as for the issuing of different types of fixed-income debt instruments, Ferreycorp is a benchmark in good Corporate Governance.


















»»»» **The companies of the corporation are organized in three large groups that have operational autonomy as well as the financial backing and specialized services of the productive head office.**



## 2— We Are Ferreycorp

### The companies of the Corporation

Ferreycorp is formed by the following subsidiaries and/or businesses:

REPRESENTATION OF CATERPILLAR AND PARTNER BRANDS IN PERU	REPRESENTATION OF CATERPILLAR AND PARTNER BRANDS IN CENTRAL AMERICA	SUPPLEMENTARY BUSINESSES IN PERU AND CENTRAL AMERICA		
				
<p>CAT HEAVY MACHINERY AND PARTNER BRANDS</p>	<p>CAT MACHINERY (GUATEMALA AND BELIZE)</p>	<p>HEAVY TRANSPORT VEHICLES</p>	<p>LIGHT MACHINERY (ECUADOR)</p>	
				
<p>CAT LIGHT MACHINERY AND PARTNER BRANDS</p>	<p>CAT MACHINERY (EL SALVADOR)</p>	<p>CONSUMABLES (PERU AND BOLIVIA)</p>	<p>STANDARD, TEMPORARY AND CUSTOMS WAREHOUSING</p>	
				
<p>CAT MACHINERY AND PARTNER BRANDS IN THE AMAZON REGION</p>	<p>CONSUMABLES (NICARAGUA)</p>	<p>ASIAN MACHINERY</p>	<p>FREIGHT FORWARDERS</p>	<p>METAL/MECHANICS</p>
				
<p>ENERGY RETAIL</p>	<p>SERVICE PARTS FOR HEAVY TRANSPORT EL SALVADOR AND HONDURAS)</p>	<p>CRANE TRUCKS, PLATFORMS AND PORT EQUIPMENT (CHILE, ECUADOR, COLOMBIA AND PERU)</p>	<p>TECHNOLOGICAL SOLUTIONS</p>	

## 2— We Are Ferreycorp



These subsidiaries contribute to the national development in the countries where they operate, by targeting their products and services at several sectors such as mining, construction, industry, energy, oil, agriculture, fisheries, trade, and transport.

The Business Areas section includes a comprehensive description of these subsidiaries, their business activities and operations.

For further information about the Economic Group according to the Stock Market Superintendency (Superintendencia del Mercado de Valores or SMV in Spanish), refer to [Appendix 1](#).

## 2— We Are Ferreycorp

### REPRESENTATIONS

While during the first years after its foundation in 1922, the company was largely involved in the trade of a number of consumer products, in 1942 Ferreycorp began its relationship with Caterpillar in Peru, a bond that, over the years, has grown stronger and more distinguished with this premium global brand.

During this decade, the corporation also accepted the representation of Caterpillar in Central America.

At the same time, throughout its history it has incorporated the distribution of a number of brands, for representation both in Peru and in other Latin American countries.

Due to the experience and knowledge acquired with Caterpillar, the corporation, and its subsidiaries have established strong long-term relationships with a number of global brands. Ferreycorp has consolidated a reputable portfolio of represented brands, becoming the undisputed leader in its field. The corporation capitalizes on the knowledge it has gained over the years and its optimized capabilities to serve the brands it represents in different territories with growth potential.

### Brands



## 2— We Are Ferreycorp

### OUR OPERATION SITES

The presence of Ferreycorp Corporation today covers the following countries in Latin America.



**Peru**

Ferreyros	Ferrenergy	Soltrak	Fargo Line
Orvisa	Trex	Cresko	Forbis
Unimaq	Motored	Fiansa	Sitech

**Guatemala | Belize**

Gentrac

**Chile | Colombia | Ecuador**

Trex

**El Salvador | Honduras**

Motored

**Nicaragua | Bolivia**

Soltrak

**El Salvador**

General de Equipos

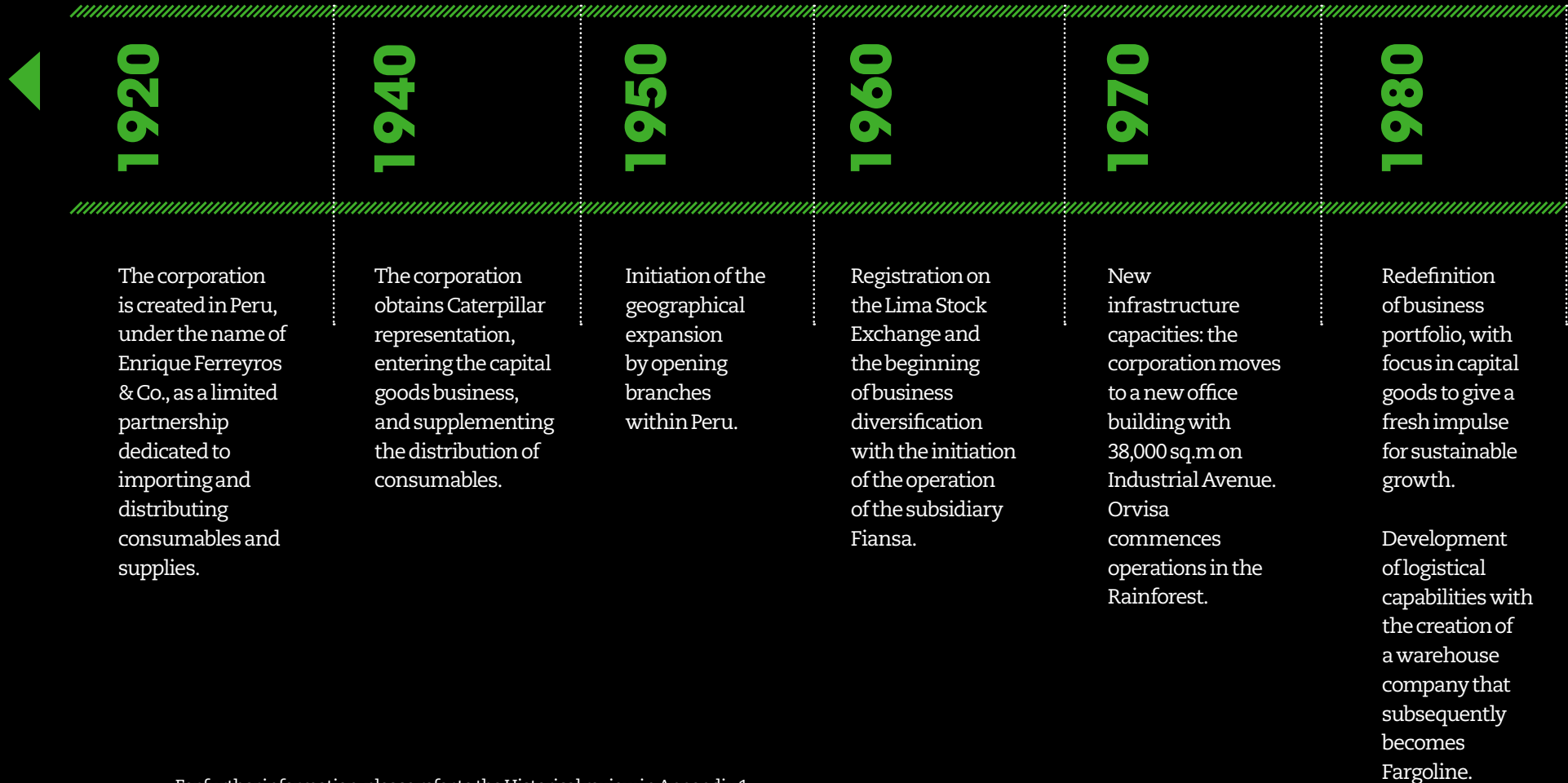
**Ecuador**

Moquicentro

## 2— We Are Ferreycorp

### History

Ferreycorp has a solid history of 94 years, initiated in Peru.



For further information, please refer to the [Historical review](#) in Appendix 1.

## 2— We Are Ferreycorp

# 1990

The corporation maximizes its participation in the mining sector with Ferreyros taking part in mining megaprojects along with the arrival of the first CAT trucks. World-class workshops.

Unimaq begins activities with a focus on partner brands' equipment and later takes on the CAT light equipment line.

# 2000

Incorporation of supplementary capital goods for new market segments with associated products and services. Acquisition of Mega Caucho (now Soltrak); creation of Ferrenergy and Cresko.

# 2010

Internationalization: The corporation enters the Central American market by acquiring Gentrac and General de Equipos, Caterpillar representatives, and expansion of our portfolio with the acquisition of Mercalsa and Transpesa (now Motored).

Expansion in South America with the acquisition of Trex (Chile, Ecuador and Colombia).

Enhancement of the logistics business with the creation of Forbis Logistics.

Launching of Soluciones Sitech Peru.

New organizational structure with the establishment of Ferreycorp Holding.





innovative  
**PASSION / VISION**  
for development

The company, founded in Peru in 1992 and having celebrated 94 years, has become a corporation that promotes the development of its interest groups in different countries of Latin America. In this long trajectory, the only constant has been change. And the ability to innovate and reinvent has been the main driver of its success.



### 3— Business Areas

In 2016, Ferreycorp and its subsidiaries generated sales of PEN 4,856 million (USD 1.439 million), equivalent to 91.1% of the sales registered in 2015, in line with the lower economic dynamism and the reduction in the level of investment, particularly with the contraction of the construction and infrastructure market.

The present chapter describes the extent of the commercial and operations management for our subsidiaries during the year, according to the three business groups described in section 2.2.

- »»»» **The Ferreycorp corporation is integrated by representatives of Caterpillar and allied brands both in Peru and in Central America, and by supplementary businesses in the South American region.**



## 3— Business Areas

### CATERPILLAR REPRESENTATIVES AND PARTNER BRANDS IN PERU

The companies that represent Caterpillar and partner brands in Peru, Ferreyros, Unimaq and Orvisa, represented 75% of Ferreycorp's consolidated sales in 2016. This group of companies registered figures of PEN 3,655 million (USD 1,083 million), equivalent to 88% of 2015 sales numbers.

The performance of these companies made it possible to maintain leadership in the

Peruvian market, with 53% participation of the Caterpillar brand, according to import information in FOB prices.

The main subsidiary of Ferreycorp, Ferreyros, is the leading provider of capital goods and specialized services, focused on machinery and large-scale equipment. Meanwhile, Unimaq is the subsidiary specialized in the light machinery line. At the same time, Orvisa serves the Amazon region with the portfolio of Ferreyros and Unimaq products, along with other lines that serve the same region.

»»»» **Ferreyros, Unimaq and Orvisa generated 75% of the consolidated sales of Ferreycorp in 2016.**



**S/ 3,655  
million**

in sales were generated by the representatives of Caterpillar in Peru.



**400  
tons**

can be carried by the Cat 797F, the largest mechanical mining truck in the world.



Ferreyros has nearly  
**70 points**

of service throughout the country.

### 3— Business Areas

# FERREYROS



## 3— Business Areas



Leader in the provision of heavy machinery and specialized services in Peru, distributes large-scale equipment of the Caterpillar portfolio required by the various economic sectors within the country.



Along with the products of its main represented brand, Caterpillar, other prestigious brands are included such as Metso construction equipment for aggregate production, Astec asphalt plants, Paus underground mining equipment, and Massey Ferguson agricultural tractors, among others.



With the most complete after-sales support in the market, it has 70 points of service throughout the country, including branches, offices and headquarters, as well as a permanent presence in the customers' projects.

### Ferreyros

Ferreyros, leader in the commercialization and service of heavy machinery in Peruvian territory, reached sales levels up to PEN 3,041 million (USD 901 million), by providing machinery from Caterpillar and partner brands, as well as a high-level technical support.

Even though these high sales volumes were below those of 2015, in the context of the reduced demand in key economic sectors, particularly in construction, throughout 2016 Ferreyros maintained a privileged position in the

commercialization and service of machinery and in the country, which promoted productivity in our clients' operations.

It is worth mentioning that throughout the year, Ferreyros strategically reorganized its support structure. The traditional matrix was transformed into business units articulated by client portfolios, considering key factors such as geographic location and volume of operations. At the same time, the specialization in certain sectors and product lines remained.

This new organization facilitates focusing on clients, more thoroughly addressing their needs in order to raise customer satisfaction in every interaction with Ferreyros; it promotes in-house performances and enhances the specialized attention provided nationwide, to both national scale companies and those with regional or local operations. Throughout the year, it was possible to observe an enhancement in the net loyalty indicators among Ferreyros' customers, as well as in indicators regarding satisfaction with the provision of machinery and services.

### 3— Business Areas

It must be highlighted that in 2016 Ferreyros was honored for reaching the upper quartile qualification among the Caterpillar distributors in South America, as well as receiving the silver distinction in the Caterpillar Service Excellence Program, which evaluates indicators such as quality of after-sales support, technical personnel training and satisfaction level among customers. Additionally, the company was recognized globally among the top 15 brand dealers in sale and rental of used equipment. In the mining field, the Cat 797F trucks used in the Antapaccay operation, with a payload capacity of 400 tons, achieved the condition of highest fleet availability of such equipment in the world, which was recognized with an Excellence Award granted by Caterpillar.

»»»» **In line with its promise to offer optimum services to its customers, the construction of a second Components Repair Center in Arequipa was begun in 2016 in order to further strengthen the company's capacity to serve the mining sector in the south of the country.**

In line with our commitment to deliver high quality service to our customers, this year we began the construction of our second repair facility in Arequipa, to strengthen our capacities better to serve the mining field in the southern region.

#### **Mining**

Contrary to what happens in other regions, the great open-pit mining operations in Peru maintained high levels of productivity during 2016, keeping existing equipment in optimal performance conditions and, to a lesser degree, increasing machinery fleets. Ferreyros has addressed this demand with a comprehensive supply, including the portfolio of Caterpillar products and world-class technical and

logistic support on mine sites that has helped to maintain sales level close to the numbers registered in 2015.

Five out of ten large mining machines that entered the country during the year came from the leading brand Caterpillar, according to official information regarding imports, and the remaining fraction was distributed between five other competing companies.

While large mining projects in the country continued to follow the cost reduction trend shown at global scale during 2016, Ferreyros has supplied new CAT equipment, especially 797F truck fleets with nominal payload capacity of 400 tons, to expanding mines and newly started operations, both through purchase orders from the previous year and through requirements presented during 2016.

These units add to a leading fleet of over 600 Caterpillar trucks delivered to the mining sector, as well as over 450 larger scale machines focused on open-pit mining, including electrical and hydraulic power shovels, drills

### 3— Business Areas

and auxiliary equipment, such as tractors, loaders and motor graders, of maximum dimensions. Caterpillar represents 66% of the total number of machines delivered to this sector.

It is worth mentioning that, with the management and support provided by Ferreyros, Peru is the country with the second largest fleet of CAT 797F trucks, with over 100 units. As a reference of its scope, these machines—the world's biggest mechanical trucks—have carried over 1.150 million tons of material during their trajectory in Peru, comparable to the amount of material transported by all open-pit copper mines in the country in a year.

In addition to this, a field trial was performed with four CAT 794AC electric trucks during an important mining operation with outstanding results, showing a level of availability of over 92%. With this successful response, these models form part of the truck portfolio provided by Ferreyros nationwide, supplementing the available load capacities.



## 3— Business Areas

In another context, the brilliant reconditioning program for used CAT trucks that started three years ago was completed in 2016; it included 30 rebuilt CAT trucks of national and foreign origin in a large-scale mine located in the southern region of the country. The rebuilding projects carried out by Ferreyros have enabled the truck models mentioned above, which form part of a new series, to function with high levels of physical availability. Such units had an average of lifespan of 20 years prior to being reconditioned, and after rebuilding, they will be available to operate for two more decades.

Meanwhile, the demand for underground mining has demonstrated less dynamism, while showing some signs of recovery over the end of the year. In a field where Ferreyros lacked growth regarding sales, customers confirmed their preference for the leading line: Caterpillar

low profile loaders. In 2016, they reached a market share of 70%, measured in FOB import values, in the segment of 4 cu. yds. and greater.

Along with the new units came the requirements for the CAT low profile loaders rebuilt by Ferreyros. Reconditioning allowed units to be offered to the mining sector with affordable prices and with the CAT Certified Rebuild (CCR) qualification. This alternative was highly valued during the year by clients in the field and makes clear its importance as part of Ferreyros's offer in 2017.

Ferreyros has over 1,800 employees engaged in mining, offering support on in-house operations, workshops in specialized mining equipment, and the attention of diverse needs. The importance of after-sales support under international standards as part of the

value proposal to mining clients should be highlighted, which includes: on-site service, 24 hours a day, seven days a week; advanced planning processes and condition monitoring; the provision of replacement parts and components on mine sites; and a complete network of specialized workshops, among other aspects.

### Construction

During 2016, the reduction in the number of construction projects in Peru reduced the demand for machinery and services in this field, following the trend of less dynamism experienced in recent years. That did not stop Ferreyros and Caterpillar from achieving a strong leadership in the market, with a 63% market share in the provision of heavy machinery focused to this field, measured in FOB import values.

Ferreyros seized the greater part of market opportunities with an organized and disciplined nationwide plan, thanks to the 17 branches and offices that cover the national territory, the availability of machinery in stock for immediate attention—made possible with

»»»» **The rental of Cat machinery, through the Rentafer business unit, was also a relevant option for customers, as part of the solutions offered by Ferreyros.**

### 3— Business Areas

financial support—and to the high rating of its portfolio of solutions, which is comprised of new, used and rebuilt machinery and equipment, rental alternatives, and an after-sales service of guaranteed quality.

Ferreyros attended large-scale projects both with new equipment and replacement parts. Additionally, backed by the company's branches, new machinery was provided to customers within the country and tenders convened by the Peruvian government were awarded.

The CAT machines portfolio highlights the newly introduced hybrid hydraulic excavator, which will be of relevant importance for its fuel-saving capability and increased efficiencies; the

AP655F asphalt paver, with superior technical characteristics in strength and technology; the 374FL and 390FL large excavators; and 12M motor graders with joysticks, among others.

Furthermore, the sale of used CAT equipment, of particular demand among regional customers, was an interesting option during the year to satisfy market needs. This alternative made it possible to compete successfully with the offer of new, lower-performing machines of other brands, maintaining CAT in a strong position in the field. Likewise, the demand for the rebuilding services of CAT equipment increased during the year.

The rental service of CAT machinery through the business unit Rentafer, was also a relevant option

for customers, as part of the solutions offered by Ferreyros. This approach helped to address the execution of all sorts of projects nationwide, including the expansion of important mines by third-party contractors. Rentafer holds a fleet of over 300 rental units, granting the possibility to sell semi-new and used CAT units to customers.

It is expected that in 2017 some important infrastructure projects will be reactivated, although some large-scale projects could experience significant delays. However, the prospects are promising in other areas, as the start of construction on 26 highways in the national and rural road system is expected, as well as the development of airport and hydroelectric infrastructure and works for the building of tailing dams for mining projects.

#### Energy, Marine and Fishing

In energy field, the supplying of gensets in the range of 200 kW to 2,000 kW per unit remained constant, addressing the energy requirements of clients of different sectors, who generated 8.5% growth in the energy production in Peru during 2016, stemming largely from hydropower and thermal plants.

>>>> **Large-scale projects received the service of Ferreyros, both through the supply of new equipment as well as spare parts. Furthermore, with the support of its many branches, the company provided its customers in provinces with new equipment and served tender offers announced by the state.**



### 3— Business Areas

As part of the administrative year, the supply of four MWM gas engine generators, the first of their type to be sold in the country, has been approved to be included in Caterpillar products portfolio for sanitary landfills in Lima and Callao, which will use as fuel the gas obtained from waste, and thus reduce the environmental impact of emissions. These units will be delivered in 2017. On the other hand, the installation of two 3516B diesel-engine generators, each with 1,825 kW of nominal power, was completed for the operations of an important mining company.

The supply for this sector includes the provision of comprehensive solutions regarding energy through Ferrenergy, a new subsidiary of Ferreyros in 2016, after the latter bought from Ferreycorp 50% of the company's shares.

»»»» **The Caterpillar brand is a market leader, according to official imports information.**

Ferrenergy was established in 2006 through a partnership between Ferreycorp and Energy International Corporation, related to the Caterpillar distributor in Colombia, in each company retaining a participation of 50%. It is oriented towards different productive fields, both public and private, to address demands related to energy generation: isolated and not linked, permanent, temporary or co-generation, using the fuels that best suit clients' needs.

Ferrenergy provides generation plants anywhere from 1 MW up to an unlimited amount in line with client's requirements, and for any necessary period. To achieve this it is staffed with highly qualified personnel and boasts a modern fleet of high technology and reliable equipment with world-class environmental standards.

In the fishing field, 2016 had an uncertain beginning due to the phenomenon of El Niño, which consequently delaying the start of the season. Subsequently, under the recommendation of the pertinent authorities, extraction activities were suspended, reaching only 50% of the anticipated quota. The second

season of anchovy fishing in the center-north sector of the country started in November 2016 with two million TM and will extend until January 2017, expecting to reach 97% of the established quota. It is expected that 2017 will see a biomass recovery that will reinvigorate the sector.

Given these results, Ferreyros has focused its attention on the repair of marine motors and the maintenance of its customers' fleet in the fishing field. At the same time, Caterpillar continues to lead the field with a participation in the market of marine motors of over 81%, according to import information in FOB values.

Meanwhile, in the ship building industry, the installation and initiation of the Escuela Union ship was completed, completely built in Peru, provided with propulsion equipment supplied by Ferreyros. The same process was completed for two patrol boats, for which Ferreyros provided propulsion motors, generators and mechanical, electrical and control installation. The installation of similar equipment in two additional patrol boats will be executed during 2017.

## 3— Business Areas

### Government

In the public sector, sales for two tenders convened by the Peruvian government were particularly significant, issued through Provias Nacional and the Ministry of Housing, Construction and Sanitation, which foresee the provision and maintenance of Caterpillar machinery.

Both tenders, as well as others, were awarded throughout the year, increased the market share in the public sector from 35% in 2015 to 60% in 2016, measured in FOB import values; an outstanding result for Ferreyros in this field.

### Agribusiness

The agricultural market was affected during the year by droughts in the northern and central regions of the country, as well as by the postponement of investment decisions, reflected in the deferral of purchase of assets and the resulting constriction of the agricultural tractors market.

Nevertheless, Massey Ferguson, the main agricultural brand represented, ratified its strong leadership with a portfolio of agricultural tractors of high productivity, enhancing its individual market share up to 28% measured in FOB import

values. Additionally, this result was accompanied by an efficient inventory control of prime products, enabling greater turnover.

Similarly, a broad portfolio of products was made available, including agricultural implements and agro-industrial processing, storage and grain selection equipment, and replacement parts and services were offered to meet the requirements for agribusiness clients in the country.

3— Business Areas

# UNIMAQ - THE CAT RENTAL STORE



## 3— Business Areas



Established in 1999, Unimaq is the company of the corporation in charge of sales and rental of light capital goods from Caterpillar and partner brands. It serves the light urban construction field as well as sectors like industry, agriculture, trade, services and mining.



It has branches in Piura, Cajamarca, Lambayeque, Trujillo, Huancayo, Arequipa, Cusco and Ilo. The headquarters are located in Lima, along with a subsidiary focused on rental units, located in Villa El Salvador. It also has offices in Cerro de Pasco, Andahuaylas and Ayacucho.



In addition to the CAT General Construction line (compact equipment), it distributes partner brands such as CAT forklifts, Wacker compaction equipment, Lincoln Electric welding equipment, Olympian Cat generators, Amida lighting towers, Enerpac hydraulic equipment, Rival and Benxi Beitai piping, Compair stationary compressors, Sullair portable compressors, Lincoln Industrial lubrication system, Valtra agricultural tractors and Carmix self-loading concrete mixers, among others.

### Unimaq- The Cat Rental Store

Specialized in the provision of light equipment from Caterpillar and from partner brands, Unimaq sales totaled PEN 501 million (USD 148 million), less than those of 2015, mainly due to the reduction of the national infrastructure portfolio and the subsequent reduction in private investment, directly affecting the primary market segment serviced by Unimaq.

However, Unimaq kept its leadership in the main line of its portfolio, Caterpillar, with a market share of 60% measured in FOB import values. It is important to highlight that, for third year in a row, Unimaq was recognized as best distributor of Caterpillar compact equipment worldwide for its trading performance.

The service provided to new emerging customers and entrepreneurs, who largely request light equipment for projects in urban areas, as well as the development of loyalty among existing clients in this segment of the market, were key aspects in this position. It is therefore necessary to highlight the role of Unimaq's branches, which impulse 60% of the company's sales.

### 3— Business Areas

It is well known that Unimaq business model supplements the coverage of the main subsidiary Ferreyros, focusing on general, light and urban construction, with a portfolio of products and services specialized in the field.

In addition to the CAT portfolio, which includes equipment such as backhoe loaders, compact loaders of up to 23 tons, skid-steer loaders and generators, the lines of partner brands increased Unimaq sales during the year with groups

like CAT forklifts, Wacker Neuson compaction equipment, Genie lift platforms, Carmix cement trucks, Lincoln Electric welding equipment, Cifa concrete pumps and placing booms, Sullair compressor, among others.

A number of the mentioned products are offered in the market of light construction, particularly in the sanitation field, which is the main destination of the company's sales, followed by energy, industry and agriculture. Furthermore, Unimaq

offers long-term rental options for over 600 forklifts, requested in Peru by many well-known companies in the field.

Unimaq strengthened the structure of its after-sales support in 2016 in order to enhance customer service within the provision of replacement parts and services. Additionally, to extend its scope, it opened two sales offices, in Ayacucho and Andahuaylas, and started building the new branch in Cusco that will be inaugurated during the first quarter of 2017.

Moreover, a varied rental fleet was put into place in the market, which reached 975 units by the end of the year 2016; 381 of them belong to a Caterpillar line and the rest are from partner brands, which include smaller units that can be contracted for weekly periods.

»»»» **A varied rental fleet was put into service that, upon the year's closing, reached 975 units, 381 of which are from the Caterpillar line and the rest from allied brands, which include small units that can be rented for week-long periods.**

3— Business Areas

# ORVISA



## 3— Business Areas



A specialist in capital goods, services and consumables in the Peruvian Amazon, Orvisa's primary represented brand is Caterpillar.



Its portfolio offers the same line of products as Ferreyros and Unimaq, as well as other products of specific use for the Amazon region.



It services sectors such as oil, river transportation, timber extraction and wood processing, as well as agriculture and construction.



The headquarters are located in Iquitos, with subsidiaries in Huanuco, Bagua, Jaen and Madre de Dios.

### Orvisa

In 2016, Orvisa totaled PEN 161 million (USD 49.6 million) in sales, below the numbers registered in 2015, due to a decrease in activities in the oil sector, as a result of the fall of the oil prices and the interruption of operations of the Oleoducto Nor Peruano; the impact on river transportation related to the oil activity; and the reduction of in public investment in the area.

Both the construction and agriculture sectors boosted the company's sales. In construction in particular, there are positive prospects in future projects, such as the Pucallpa-Lima highway and the sewage network extension in the main cities

of the Amazon. Regarding the agricultural sector, an extension in the farming areas in Ucayali region is expected in the short-term, which has begun to appreciate as of 2016.

During the financial year, Orvisa maintained its leadership as the principal provider of capital goods in the Amazon region. Machinery and equipment sales constituted 53% of the company's total revenue, followed by replacement parts and services at 32%, and 15% of consumables. The top selling line of products came from the Caterpillar portfolio, both in light and heavy construction.

It should be noted that the company, through its subsidiary Motomaq, launched the fuel sales

business oriented to river transport at the end of 2015. It started operations in 2016 and is expected to consolidate in the following years.

Furthermore, Orvisa participated in several improvement initiatives regarding its practices in order to optimize the experience and increase the satisfaction of its clients. These initiatives cover areas such as training for technical staff, product availability and the use of new technology, including future initiatives on e-commerce.

### 3— Business Areas

#### COMPANIES REPRESENTING CATERPILLAR AND OTHER BUSINESSES IN CENTRAL AMERICA

The companies representing Caterpillar and other businesses in Central America generated 9% of consolidated sales for Ferreycorp in 2016. The sales that came from this group registered PEN 453 million (USD 134 million), a 13% decrease compared with 2015.

As it may be recalled, the corporation started operations in the region in 2010, after the acquisition of the representations of Caterpillar in Guatemala, El Salvador and Belize, in a response to an invitation from Caterpillar. In the following years, the subsidiary Transpesa, (currently Motored) focused on the provision of replacement parts for heavy-duty transport machinery in El Salvador, joined the corporation, as well as Mercalsa, the Mobil lubricants wholesale distributor for Nicaragua.





### 3— Business Areas

**GENTRAC** GUATEMALA AND BELIZE

**SOLTRAK / MERCALSA** NICARAGUA



### 3— Business Areas

**Gentrac is the exclusive representative for Caterpillar machinery and equipment in Guatemala and Belize, as well as the national distributor of Mobil lubricants and representative of other renowned brands in both territories.**



**Gentrac's headquarters** along with a replacement parts store are located in Guatemala City. It has a shop dedicated to Mobil lubricants, branches in Quetzaltengango and Teculután, one replacement parts store in Morales and 16 mobile warehouses.



The Gentrac Rental Store distributes Sullair, Genie, Wacker, Olympian and Carmix products. It is solely responsible for marketing Mitsubishi forklifts and Compact Wacker equipment via Cresko Guatemala, created with 100% Gentrac capital.



Gentrac was created in 1938 under a different name and stakeholders as the exclusive Caterpillar distributor in Guatemala; it was then purchased by the distributor located in El Salvador in 1998, and afterwards by Ferreycorp in 2010.



**In Belize, Gentrac's head office** is in Ladyville, where the country's international airport also located.



Along with Caterpillar, it distributes Wacker, Sullair and Twin Disc products, Mitsubishi forklifts and Olympian generators.



**For its part, Mercalsa** has its headquarters in Managua, where it services all of Nicaragua.



It was incorporated to Ferreycorp in 2013. Its founded dates to 2009, after Nicaragua Mobil transferred operations to a group of executives, assuming the development of a national distribution network.

It was established in 1998, the year in which it purchased assets and the business of Belize Cemcol Limited, which was the country's Caterpillar distributor at the time.

## 3— Business Areas

### Gentrac (Guatemala and Belize) and Mercalsa (Nicaragua)

In 2016, Guatemala experienced a significant deceleration of the construction sector, linked with the political instability experienced throughout the year. These factors are reflected in Gentrac sales, with PEN 248.6 million (USD 73.7 million), below the results registered in the previous year.

However, in this adverse environment, Gentrac took the greatest part of market opportunities in Guatemala, leading the line of construction and infrastructure products, and achieving a market share of nearly near 50% with the Caterpillar brand. The main sectors that powered the year's sales were light construction, mainly concentrated on nationwide housing projects, and agriculture, particularly associated to African palm, plantain and sugar cane. In contrast, the mining sector showed a significant contraction during 2016; the largest mine in the country started its closure procedure and the other mines registered operations with lower levels of production.

The sale of services carried out in company workshops, both in the central office as in subsidiaries, showed a mild increase compared to the previous year, a result of the execution of the certified rebuilding of several Caterpillar machines, a line work in which Gentrac stands out.

The line of Mobil lubricants made a significant contribution to the company's sales volume. In the segment of direct customer sales (B2C), this line achieved growth of over 10% compared to the previous year. Additionally, the sugar plant segment increased by more than 30% in relation to 2015, strengthening the brand's presence in a sector with high demand for the lubrication engineering services that Gentrac's technical staff provides.

At the same time, in Belize Gentrac's sales reached PEN 15.3 million (USD 4.5 million) in 2016, similar to those of the previous year. The country faced a reduction in economic activity, particularly due to a drop in exports of primary commodities, such as citrus and marine products.



Caterpillar has

**50%**

of the market share in the construction and infrastructure sector in Guatemala.



**B2C**

or direct consumer sales was a key segment in the lubricant supply sector in Nicaragua.



Mercalsa has

**75%**

of the market share in the sugar refining sector.

### 3— Business Areas

Construction, government and the marine sector were the primary market segments that purchased Gentrac goods and services. The awarding of a tender held by the Inter-American Development Bank (IDB) deserves special mention, which made possible the provision of construction equipment for the national government. Furthermore, the replacement parts and service sales showed enhanced growth compared to 2015.

In 2016, Gentrac was the designated distributor for Mobil lubricants line of products in Belize, which reinforced the available product portfolio available and will enable to harness synergies with the other Ferreycorp companies that also distribute the brand in other countries of the region. With

this designation, Gentrac becomes the exclusive distributor of Mobil products for light and heavy-duty transport in Belize, both on and off the road, as well as for industrial lubricants and lubricants for power generation.

The Gentrac lubricant business extends to Nicaragua through its subsidiary Mercalsa, the country's wholesale distributor of Mobil lubricants, which registered sales of PEN 24.4 million (USD 7.2 million) in 2016, similar to 2015, maintaining its strong position in the field.

The year was marked by a strong sales performance regarding three key segments of the market: direct consumer sales (B2C), sugar

refining and mining. The first of these increased sales by over 15%, compared with 2015. In the sugar-refining sector, it was possible to service three of the county's top four sugar factories, which resulted in over 75% of the market share. The sales in mining increased by 7%, thanks to new accounts among contractors working within this market segment. It is worth highlighting the lubrication engineering service that Mercalsa offers, which constitutes its main competitive advantage and has achieved the penetration of key market segments with premium products that allow clients to operate with reduced hourly costs.

»»»» **During the year, Gentrac captured the majority of market opportunities available in Guatemala, maintaining its position as market leader in the construction and infrastructure product line.**

3— Business Areas

# GENERAL DE EQUIPOS EL SALVADOR



## 3— Business Areas



Established in 1926, it has been the Caterpillar distributor in El Salvador since 1930. It is the sole distributor of Mobil lubricants in the country, as well as distributor of other top quality lines.

### General de Equipos-Cogesa (El Salvador)

General de Equipos, Caterpillar distributor and sole seller of Mobil lubricant in El Salvador, among other renowned brands, generated sales of PEN 98 million (USD 29 million) in 2016, in the context of the deceleration of key sectors like construction, particularly in large infrastructure works, and sugarcane.

This context did not affect its leading position nationally, with a 60% market share of Caterpillar thanks to the customer service in the construction field, particularly through the provision of light equipment required by



It also represents lines such as Mitsubishi—CAT forklifts, Wacker lighting and compaction equipment, Lincoln Electric welding equipment, Olympian—CAT generators, Sullair compressors, Mack trucks, John Deere farming equipment and Michelin tires for construction, agriculture and trucks.

local contractors for small housing projects and repairing roads.

Additionally, the company remained active in the agricultural field, a highly relevant sector of the economy of the country, which it has been serving for 90 years. Thus, it reached 75% of the market with the brand John Deere, similar to the numbers reached in 2015. It is worth mentioning that in 2016 the company completed 90 years as the John Deere distributor in El Salvador; it is the oldest distributor of this brand in Latin America, which shows the company's commitment to establishing long-term relations with key



It provides nationwide after-sales coverage, through its three branches located in San Salvador in the central region, Sonsonate in the western region, and San Miguel in the eastern region of the country.

suppliers and its capability to endorse the agricultural sector of the country.

It is worth mentioning efforts such as the 11% increase of Mobil lubricant sales to the auto parts sector, dedicated to the provision of replacement parts and consumables for light vehicles, relevant in direct consumer sales (B2C).

In addition, the sale of replacement parts was promoted through electronic platforms, producing more than double of what was accomplished through the same channel in 2015. General de Equipos is at the forefront of e-commerce in the country, offering market-leading platforms.

3— Business Areas

# MOTORED EL SALVADOR



## 3— Business Areas



It joined the corporation in 2015, Motored (previously named Transportes Pesados S.A. de C.V.—Transpesa) has as its main business line the provision of replacement parts for trucks and buses in El Salvador



It also has additional consumable lines such as lubricants and tires, and the representation of Kenworth trucks, also distributed in Peru by the corporation.



With 35 years in the market, it has nine subsidiaries in El Salvador, located in San Salvador, Santa Ana, Sonsonate, Metapan, Lourdes, San Miguel, Soyapango and Santa Rosa de Lima. Additionally, it has operations in Honduras.

### Motored (El Salvador)

Previously called Transpesa, in 2016 this company completed the transition process to its new commercial name, Motored, at the same time it became the company of specialized transport solutions in Peru. In this way, it has been able to establish a unique identity for the corporation's businesses in this field.

In 2016, Motored sales in El Salvador climbed to PEN 66.3 million (USD 19.6 million), thanks to the solid performance in the sale of replacement

parts and accessories for heavy-duty transport equipment, as well as Kenworth truck sales, leading the market with a 45% share, greater than that obtained in 2015.

Sales were focused on cargo transport, passenger transport (buses and minibuses) and government organizations. In the cargo transport field, the sugarcane transport subsector stands out, operating during the harvest period. Motored developed comprehensive packages that enables

it to cover the needs of all operational areas of the sector within El Salvador.

The company has confirmed its leadership in the replacement parts and consumables market for heavy-duty equipment, even in the environment of slow economic growth that has defined the country in recent years.



### 3— Business Areas

#### SUPPLEMENTARY BUSINESSES IN PERU AND SOUTH AMERICA

All businesses carried out in Peru and South America that supplement the provision of goods and service in different productive sectors, represented 15% of the corporation's sales in 2016. Revenues of PEN 747 million (USD 221 million), show an increase of 15.9% compared with 2015.

Such businesses execute the sale of machinery, equipment and vehicles, such as Motored, specialized in transport solutions in Peru; Cresko, active in the Asian machinery segment; Trex, a provider of tow trucks and hoisting equipment with operations in Chile and Peru; and Maquicentro, dedicated to the provision of light equipment in Ecuador. Also included are Soltrak, focused on the industrial consumables segment; metal-mechanic Fiansa; Fargoline and Forbis Logistics, in charge of the logistics segment; and Soluciones Sitech Peru, in technology.



3— Business Areas

# MOTORED PERU



## 3— Business Areas



Started operations in 2012 and represents brands such as Kenworth, Iveco and DAF, handling a comprehensive portfolio that includes tractors, trailers, trucks with different settings, diesel and gasoline buses, as well as the equipment of partner brands for the automotive market.



It has two branch offices in Lima: one of 30,000 sq.m along the Panamericana Sur highway where the main service workshop operates, along with the replacement part retail outlet and local storage; and another of 4,000 sq.m in Ate, on the Via de Evitamiento where the central warehouse for replacement parts is located, along with a retail office for parts and vehicles, and the administrative offices.



It has three integral offices in Arequipa, Trujillo and Cajamarca. Additionally, Motored Parts has three sales outlets in Lima and operates in the cities of Huancayo, Piura and Chiclayo.

### Motored (Peru)

In 2016, the market for trucks and tractors over 16 tons reduced by 4% compared to 2015, which was, in turn, 14% lower than the previous fiscal year, as a result of contraction in investment and a deceleration of the economy.

In spite of this, Motored, a specialist in transport solutions for primary economic sectors, achieved sales of PEN 204.8 million (USD 60.7 million) in 2016, similar to the previous year, keeping 6% of the market share in the tractors and trucks segment.

Furthermore, the company decided to include new lines of replacement parts during the year in order to address the truck and tractor market with a more comprehensive portfolio.

It is worth mentioning that Motored generated operative and financial efficiencies throughout the year, by means of cost control and by pursuing the best leverage conditions, bringing positive results during the fiscal year.

In another context, Motored obtained the revalidation of its ISO: 9001 certificate for replacement part management in Lima and its certification for the operation in Arequipa. This also include the ISO: 9001 certification for the processes regarding maintenance and repair workshop, pre-delivery, accidents, mechanical assistance in Lima and Arequipa.

### 3— Business Areas

## SOLTRAK PERU



### 3— Business Areas



Soltrak is the Ferreycorp subsidiary that specializes in industrial consumables solutions.



Its product portfolio includes first-level products such as Goodyear and Superhawk tires; Mobil lubricants; Fleetguard and Donaldson filters; 3M, Kimberly Clark, MSA, Capital Safety, Microgard, Ansell, Tecseg and Westland industrial safety articles; 3M and Dewalt abrasive products; Sata, Armstrong and Allen hand tools; and Bosch, Dewalt and Milwaukee electric tools, among others.



It has branches in Talara, Trujillo, Arequipa, Huancayo, Huanuco and Pucallpa, with head offices in Lima, and has presence in Loreto through its subsidiary. It also has a branch in Santa Cruz, Bolivia.



It was incorporated into Ferreycorp in 2007, with the acquisition of the tire company Mega Caucho S.A. In 2009, this company merged with Inlusa (Industria y Comercio S.A.), thus adding the lubricants line. In 2013, the Tecseg Company was acquired, with an industrial safety products portfolio.

#### Soltrak (Peru)

During 2016, Soltrak (formerly Mega Representaciones) completed its name and identity change to consolidate its position as an expert in industrial consumables, providing leading product brands and top-level support. Sales in the period were PEN 265 million (USD

78.6 million), an important increase from those of 2015.

During the year, Soltrak strengthened sales to wholesalers in its industrial safety and tire portfolio, opening new sub-distribution

channels for specific products as well as expanding its range.

Likewise, its Soltrak del Oriente subsidiary, in the Loreto department, started to distribute Mobil lubricants. This contributed to the sales increase.

### 3— Business Areas

On the other hand, by mid-year Soltrak went international through the start of operations in Santa Cruz, Bolivia. In that territory, the company has a portfolio of tires and high-quality industrial safety articles, directed to sectors that drive the Bolivian economy, such as mining, gas and agriculture.

The most important sectors for Soltrak's sales in 2016 were construction and mining, which demanded its products throughout the year as part of their activities. The lines of industrial safety, abrasive products and tools stood out for their dynamism and growth potential.

At the same time, Soltrak continued providing after-sales services, which include support to the customers operations and support at the company's workshop, with the same levels as in 2015.



3— Business Areas

**CRESKO** PERU



### 3— Business Areas



Established in 2007, Cresko commercializes products manufactured in Asia at competitive prices, with an after-sales proposal different to that offered by Caterpillar distributors. It mainly supports emerging customers from the sectors of construction, mining, agriculture and industry in general.



Among its main representations, it has SEM, manufactured by Caterpillar as part of its strategy to provide products with a differentiated proposal. Cresko has SEM loaders, tractors, graders and rollers.



Likewise, its portfolio includes Shacman trucks, Lovol (formerly Foton) farm tractors, Wacker Neusson rollers and lighting towers, Super gensets, Mitsubishi forklifts and Shaorui crushers, among others.



Cresko's main offices are in Lima and it expands its national coverage through several of the corporation's subsidiaries.

#### Cresko (Peru)

The sales of Cresko, a specialist in products manufactured in Asia, reached PEN 22.5 million (USD 6.7 million) in 2016. The reduction of investments for decentralized projects from local and regional governments affected the emerging construction sector, whose machinery is required by contractors and aggregate suppliers. Thus, in turn, there was a decrease of Chinese machinery imports.

In spite of this, the company kept its position as leader in the market of Asian earthworks machinery, and increased its share in the mixer and dump truck market. Likewise, it expanded its portfolio of Shacman products, one of the brands it represents, with GNV units and a new line of transport trucks.

During the year, Cresko established corporate cross-sales synergies with other Ferreycorp companies, such as Unimaq y Orvisa, which

contributed to the commercialization of equipment in different geographic areas of the country. This will generate noticeable results from 2017 onwards.

The lines of dump trucks and mixers, as well as other light machinery, demonstrated an important contribution to Cresko's total sales. The main demand drivers were the government and construction sectors.



3— Business Areas

**TREX** CHILE, ECUADOR, COLOMBIA AND PERU



## 3— Business Areas



It represents the Terex Brand of cranes, lift platforms and a complete series of port equipment.



It is present in Chile, with operations in Ecuador and Colombia, after its incorporation to Ferreycorp in 2014. It was established in 2000, but its origins in the cranes and port equipment industry date to the 1980s.



Trex started activities in Peru in 2016. Before that, the distribution and support of Terex cranes in Peru was carried out by Ferreyros subsidiary.

### Trex (Chile, Ecuador, Colombia and Peru)

In Chile, the sale of new cranes, especially the all-terrain trucks between 40 and 350 tons, along with the provision of rental and used equipment generated figures for Trex outside of Peru of PEN 143.7 million (USD 41.3 million), mainly by serving the mining, energy, naval construction and public works sectors.

During a year of moderate sales, within a reduction in the price of copper, a slowdown in investment decisions, the impact of

government reforms, Trex made strategic alliances with the three largest mining fleet suppliers in Chile, for the provision of equipment, replacement parts and services to renew and enhance units.

With those alliances, that include providing cranes of up to 350 tons in RT (rough terrains) and AT (all terrain) formats, to important mining operations in Chile, Trex remains at a competitive level for participation in mega mining service contracts, with a projection of increased development towards 2021.

On the other hand, Trex signed a corporate agreement with Astilleros & Maestranza de la Armada (Asmar) for the sale of modern cranes of 40, 55 and 60 tons in AT and RT formats, with corresponding replacement parts and support services, in two important cities of the country.

In this context, Trex works to continue strengthening its support to current customers through commercial contracts that demonstrate that the represented brands provide profitable, safe, efficient and environmentally sustainable machinery and equipment.

### 3— Business Areas

In Peru, Trex's sales reached PEN 52.6 million (USD 15.6 million) in 2016; the different families of new ad used mobile cranes comprise the main business line. Cranes rental made the greatest contribution to sales, as part the development of energy generation projects, some specific mining projects, and the modernization of the Talara refinery.

This last project also allowed the sale of used cranes, where many other promising initiatives, principally in the mining sector, were not materialized. It is expected that the sale of used cranes will position itself as a good alternative in 2017, in the case that no new large projects appear.

Among the cranes sold, those that stand out are a new all-terrain AC 500 from the 500-ton family, the first to be sold in Peru, and a used CC2800, a 600-ton lattice crawler crane.

Even though in 2016 there was relevant market reduction (55% by October), the operation of Trex in Peru, in its first year of activity, generated a market share of 50% in new cranes, maintaining the same levels as 2015.

Its actions were primarily focused on the areas of the training of its technical team; the improvement of processes in the service area; the purchase of special work tools; the reinforcing and restructuring of the marketing team; and attention to a high demand of services from its customers.

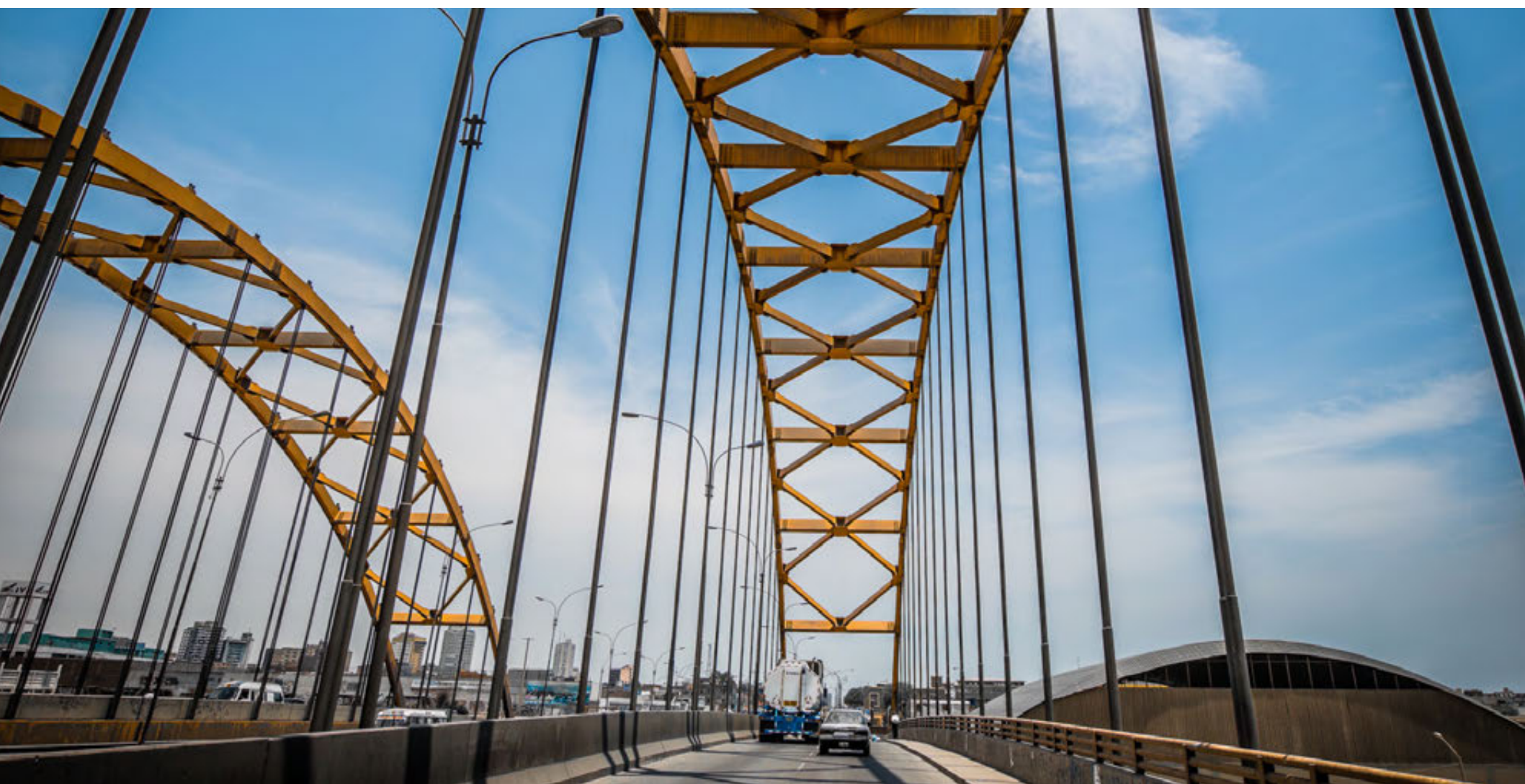
It is worth mentioning that in 2016 Dean Barley, the Vice-president of Terex for the Americas, which is the main line represented by Trex, visited Peru.



### 3— Business Areas

**FIANSA** PERU

**Fiansa** 



## 3— Business Areas



Fiansa is the corporation's company that specializes in the execution of metal-mechanics projects for the most important economic sectors. Its main business lines are the manufacturing of heavy and medium-heavy structures, boiler manufacture and metal-mechanic assembly.

### Fiansa (Peru)

In spite of weak demand, Fiansa, Ferreycorp's metal-mechanics company, maintained a high level of activity in 2016, reaching sales of PEN 45.2 million (USD 13.4 million), higher than the previous year's, although with lower margins due to the high-competence scenario caused by the market reduction.

During the period, historical manufacturing records were surpassed, reaching more than 9,000 tons, three times the existing record. Likewise, performance production per hour per person was higher, and the effects of the



In order to expand the support and project management capabilities of Fiansa, Ferreycorp associated in 2013 with the Spanish company URSSA, a specialist in metal-mechanic construction of the Mondragon Corporation, with projects in Europe, America, Africa and Asia.

improvements of the company's capabilities and processes were perceived.

In 2016, Fiansa accomplished important milestones in its area. The company manufactured 5,200 tons for the Toquepala (Southern) expansion project, which is expected to reach 6,700 tons.

Likewise, it carried out the complex assembly of the Pachitea Bridge, the second longest bridge in Peru, using launch technology for the first time in the country.



3— Business Areas

# FARGOLINE PERU



## 3— Business Areas



With 33 years in the local market, Fargoline offers temporary containers, loose and rolling load storage, and custom and simple warehousing.



It is strategically located in Lima: it has facilities in Gambetta Avenue (Callao) and other locations to the south of the city.



Its Security and Control Management System is certified by the Business Alliance for Secure Commerce (BASC). Additionally, it has ISO 9001 and OHSAS 18001 certifications.

### Fargoline (Peru)

During 2016, Fargoline, a logistics operator, generated sales of PEN 71.8 million (USD 21.2 million), close to previous year's numbers. Its main business line was that of temporary storage of containers, of both loose and rolling loads, with constituted 83% of its income, followed by the custom and simple warehouse lines. The lines of merchandise distribution services, which Fargoline began in the second semester in Metropolitan Lima, and project logistics also contributed to sales.

Having started its business with a high dependency on the operations of the other Ferreycorp subsidiaries, it is worth mentioning

that during 2016 the operational capacity of Fargoline required by the corporation's subsidiaries was only 15%, while the remaining 85% was in support of an important client portfolio from different productive sectors.

Even though there was a reduction in the flow of imported and exported merchandise during 2016, Fargoline attracted a larger number of customers and extended its range of services for long standing clients. Likewise, in September, the company started operations in the southern area of Lima.

On the other hand, Fargoline has continued to invest in infrastructure, in the acquisition of

computer equipment and software to optimize customer service, and in enhancing its accounting module. During 2017, it expects to acquire WMS software for detailed logistic operations and warehouse managing, thus expanding its service portfolio.

This way, Fargoline has started a digitalization plan for its internal and external processes, in order to enhance cargo traceability, reduce errors and improve customer service time.

3— Business Areas

# FORBIS LOGISTICS PERU AND UNITED STATES







Forbis Logistics is a logistics operator with offices in Peru and the United States that serves the international cargo transport needs of Latin American customers by air and sea.

### Forbis Logistics (Peru and United States)

Forbis Logistics, a specialist in international air and sea cargo transport, reached sales of PEN 55.7 million (USD 16.3 million) in 2016, higher than those of 2015. During the year, Forbis Logistics was in the first position among air cargo agents in the route between the United States to Peru, and in the third position for routes between Peru and the rest of the world.

This is due not only the handling of 100% of the Caterpillar cargo in Peru, but also a result of the continuous growth of the client portfolio outside of Ferreycorp. During 2016, sales to third parties increased by 50%



It was created in 2010 in Miami, Florida, where it has a strategically located warehouse 6 miles from the Miami International Airport and 16 miles from the seaport. Forbis Logistics was established in Lima in 2012.

compared to 2015, reaching a portfolio of more than 160 customers. Forbis Logistics is among the cargo agents with the highest levels of growth and profitable gains.

Furthermore, 2016 was also a year of technological consolidation for the company, having made important progress in its integration systems (EDI, or Electronic Data Interchange) with its main suppliers and customers. It also finished the development of a “homemade” cargo management program, which will be fully deployed in 2017, to achieve a high level of traceability, something very much appreciated in the market, for customers and suppliers.



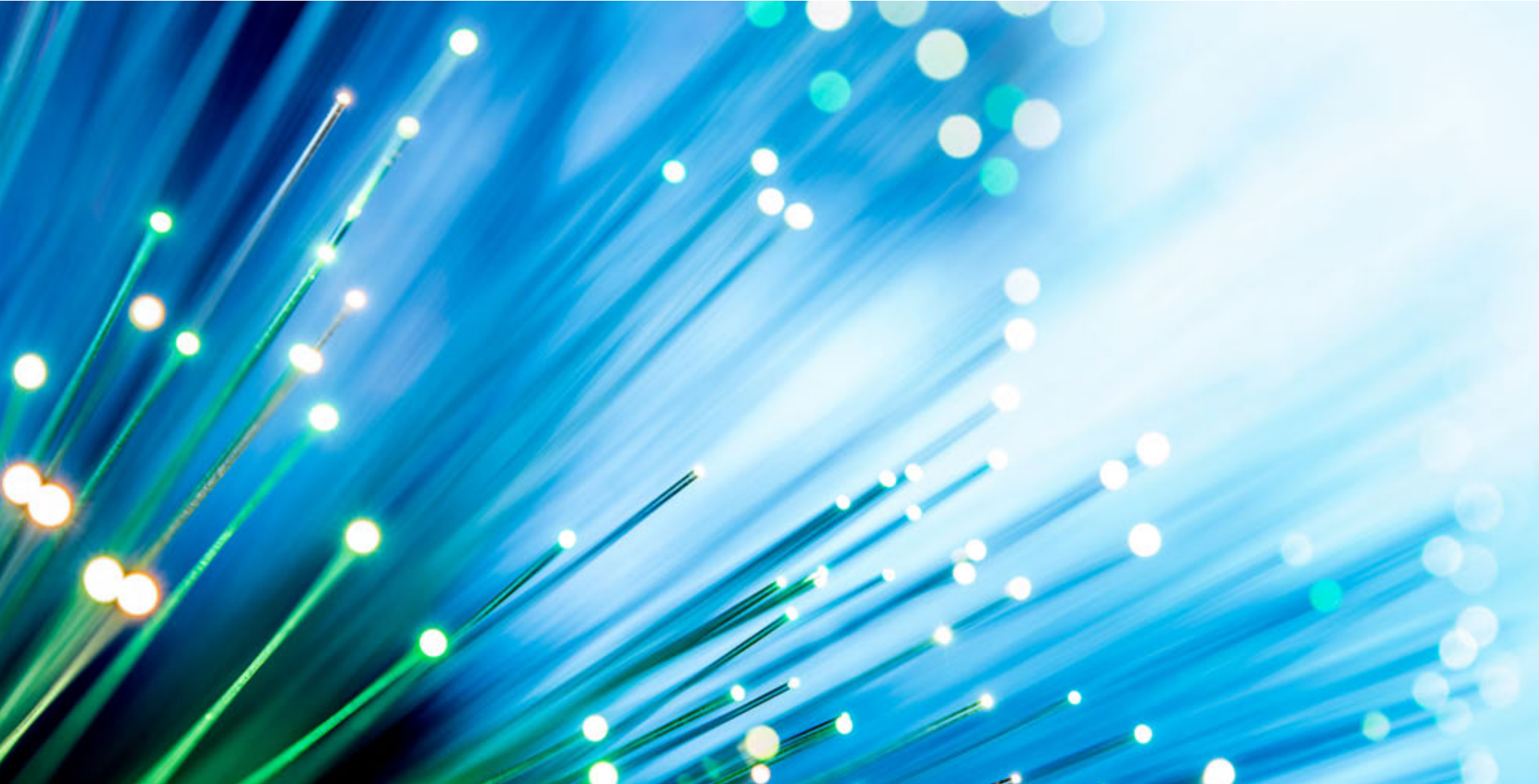
It has the Indirect Air Carrier (IAC) and YNVOCC certifications, given by the United States government, and it is currently completing the process to obtain the ISO and BASC certifications. Likewise, it works with the Caterpillar quality standard.

In addition, in 2016 the foundations were laid for future changes in the operation and infrastructure of Forbis Logistics, with the registration and creation of a new office in Santiago de Chile, which will start operations the following year.

The company is also getting ready for the implementation of an automated cargo reception and dispatch system in 2017 in its Miami warehouse. The automation process will enable a reduction of this location’s operational costs of up to 60%.

3— Business Areas

# SOLUCIONES SITECH PERU



## 3— Business Areas



Since 2013, it has been dedicated to technology integration and to providing solutions to increase customer productivity in mining, construction, hydrocarbon and agriculture activities.

### Soluciones Sitech Peru

Dedicated to providing technological solutions that improve operational efficiency and promoting the use of technology to obtain relevant information for optimal decision-making, Soluciones Sitech Peru continued developing its products and services portfolio, promoting its value proposal in different markets already supported by other Ferreycorp companies. During the year, it carried out its first sales, reaching PEN 2.2 million.

Even though the construction market suffered an important retraction, the Trimble line gained dynamism in this sector, both through the implementation of topographic solutions and



It has a complete portfolio of represented lines such as Trimble, Loadrite, AMT, MST and DSS, among others.

through activities related to machinery control. This had a positive impact on the company's operations during the year.

In the surface mining sector, Caterpillar's DSS anti-fatigue solutions line (formerly known as Seeing Machine) was introduced in the market, in response to the requirements of an important mine in the Cajamarca region.

Moreover, the MST line, which provides connectivity, security and productivity solutions for underground mining, gained impulse in the second half of 2016, thanks to a contract to update and deploy these solutions in another important Peruvian mine.



During the year, the company continued to give demonstrations of the Loadrite weighing solutions for the underground mining market. These solutions provide greater production and operational control, and in 2015 they were adopted as standards for all the Caterpillar low-profile loaders, thanks to the alliance between Soluciones Sitech Peru and Ferreyros.

3— Business Areas

# MAQUICENTRO ECUADOR

MaquiCentro +



## 3— Business Areas



Maquicentro specializes in Ferreycorp's light equipment in Ecuador, in order to satisfy the needs of different productive sectors.

### Maquicentro (Ecuador)

Maquicentro, a Ferreycorp subsidiary since mid-2016, specializes in the corporation's light equipment, providing service to the Ecuadorian market with a portfolio of different Caterpillar brands, a response to the need of representation of several brands in this neighboring country.

During the year, Maquicentro started to develop market coverage capabilities, as well as after-sales support. As a company still starting operations, it generated sales of PEN 5.0 million (USD 1.5 million); the agriculture line



Its portfolio includes farm trucks, construction equipment, self-loading concrete mixers, forklifts and welding equipment, among others, with brands such as Valtra, Wacker Neuson, Carmix and Lincoln Electric.

made the largest contribution. In addition, the company worked on marketing efforts to boost the penetration of other lines, such as welding equipment.

In 2016, Maquicentro decided to expand its national coverage, creating a new office in Quito, in addition to its main offices in Guayaquil, in the second semester, and also adopting a sub-distributor in Babahoyo, a city located in central Ecuador.





a committed

# PASSION / VISION

for our people

During 2016, the corporation received various distinguished awards that put into evidence the work that it has developed regarding employee management. Human capital is crucial in organizations that successfully last over time.

## 4 — Organization and Human Resources

Ferreycorp's governance matters are handled by the General Shareholders' Meeting, the Board of Directors and the Management, while issues related to the Board of Directors are regulated, in the first place by the company's articles of incorporation, and in further detail by the Rules of Procedure of the Board of Directors and its respective committees.

This chapter contains information on the two decision-making and control structures of the Organization: the Board of Directors and the Management.

- >>>> **Ferreycorp values human capital as its most important asset. Having a motivated and dedicated team is essential for forging leadership and solidity within the corporation.**



## 4— Organization and Human Resources

### THE BOARD OF DIRECTORS

#### Makeup of the Board of Directors

The number of members who make up the Board of Directors should ensure that plural opinions coexist in the Board, in such a way that all the decisions made in the Board of Directors' meetings will have been appropriately discussed, bearing always in mind the best interests of the company and of its shareholders.

The Board of Directors of Ferreycorp S.A.A. is made up of ten directors elected for three-year periods, in compliance with the Law of Business Associations and with article 32 of the company's articles of incorporation.

The Directors of Ferreycorp S.A.A., for the 2014-2017 period, were elected by the General Shareholders' Meeting on 26 March 2014. The

list of candidates and their resumas had been published and circulated in advance

The members of the abovementioned Board of Directors elected, once again, **Mr. Oscar Espinosa Bedoya as their CEO** and **Carlos Ferreyros Aspillaga as Vice-president** for the 2014-2017 period.

The directors' professional backgrounds are available in Appendix 1, section 1.3.1. The Report on the Compliance of Good Corporate Governance deals with the practices of the Board of Directors. These include the plural makeup of its members, the participation of independent members, the operations done by the four specialized committees, and the performance of direction, supervision and risks control functions.

#### The directors are:

Óscar Espinosa Bedoya  
 Carlos Ferreyros Aspillaga  
 Ricardo Briceño Villena  
 Manuel Bustamante Olivares  
 Aldo Defilippi Traverso  
 Carmen Rosa Graham Ayllón  
 Eduardo Montero Aramburú  
 Raúl Ortiz de Zevallos Ferrand  
 Juan Manuel Peña Roca  
 Andreas Von Wedemeyer Knigge



# 4— Organization and Human Resources

## THE BOARD OF DIRECTORS OF FERREYCORP



ALDO DEFILIPPI TRAVERSO

MANUEL BUSTAMANTE OLIVARES

JUAN MANUEL PEÑA ROCA

RAÚL ORTIZ DE ZEVALLOS FERRAND

CARMEN ROSA GRAHAM AYLLÓN

RICARDO BRICEÑO VILLEN

ANDREAS VON WEDEMEYER KNIGGE

EDUARDO MONTERO ARAMBURÚ

CARLOS FERREYROS ASPÍLLAGA

ÓSCAR ESPINOSA BEDOYA

## 4— Organization and Human Resources

The Board of Directors of Ferreycorp S.A.A. has four committees:

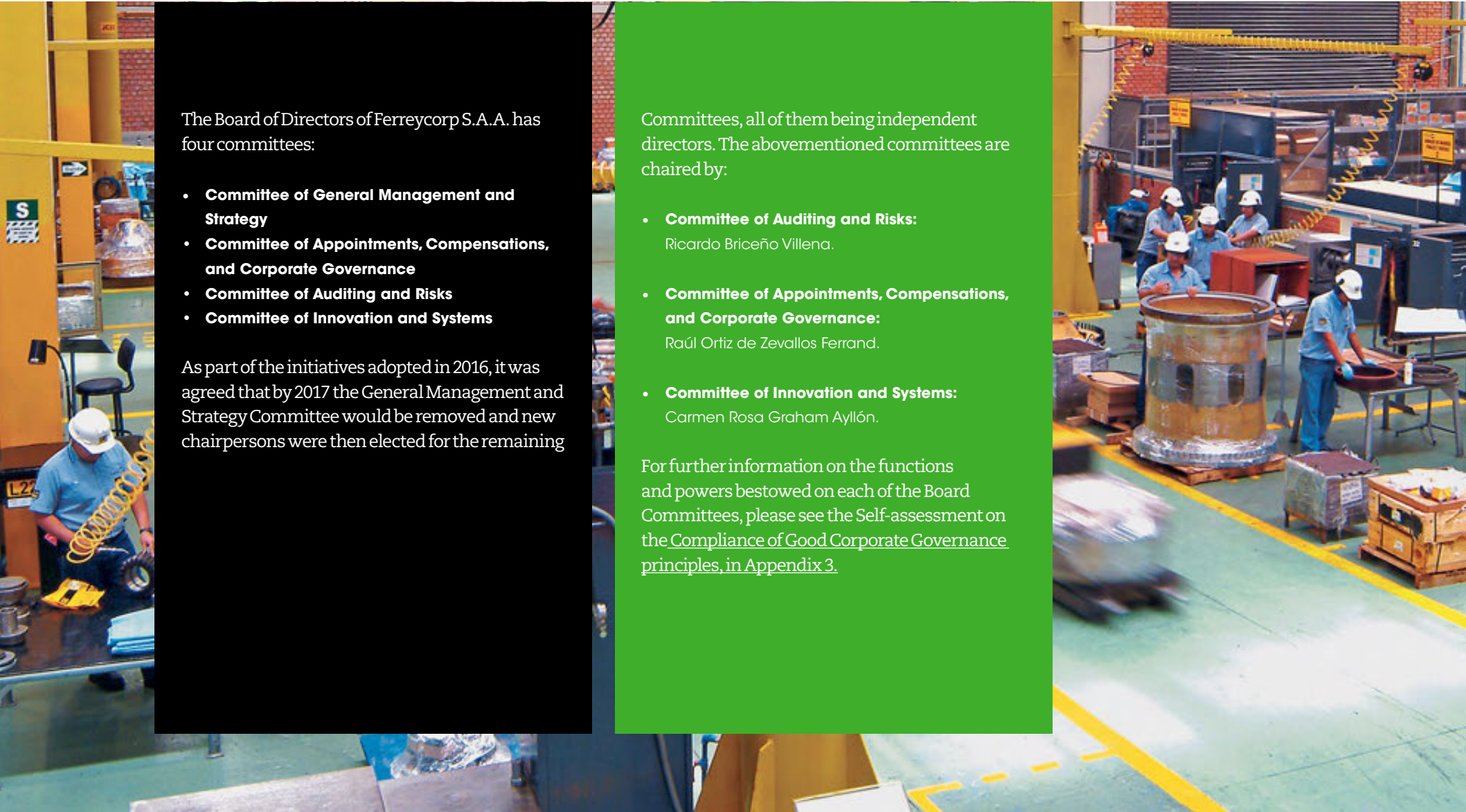
- **Committee of General Management and Strategy**
- **Committee of Appointments, Compensations, and Corporate Governance**
- **Committee of Auditing and Risks**
- **Committee of Innovation and Systems**

As part of the initiatives adopted in 2016, it was agreed that by 2017 the General Management and Strategy Committee would be removed and new chairpersons were then elected for the remaining

Committees, all of them being independent directors. The abovementioned committees are chaired by:

- **Committee of Auditing and Risks:**  
Ricardo Briceño Villena.
- **Committee of Appointments, Compensations, and Corporate Governance:**  
Raúl Ortiz de Zavallos Ferrand.
- **Committee of Innovation and Systems:**  
Carmen Rosa Graham Ayllón.

For further information on the functions and powers bestowed on each of the Board Committees, please see the Self-assessment on the [Compliance of Good Corporate Governance principles](#), in Appendix 3.



## 4— Organization and Human Resources

The Board of Directors of the principal subsidiary Ferreyros S.A. is formed by the same directors of Ferreycorp S.A.A. and by Mariela Garcia Figari de Fabbri, General Manager of Ferreycorp S.A.A.

The Board of Directors of the subsidiaries that are not part of Ferreyros are chaired by Oscar Espinosa Bedoya, CEO of Ferreycorp S.A.A., and as Vice-president they have Ferreycorp S.A.A.'s General Manager.

Those Boards of Directors are formed by the following managers of Ferreycorp S.A.A. and/or of some of their subsidiary companies:

### Subsidiary Companies

NAME	POSITION	DIRECTOR OF THE FOLLOWING SUBSIDIARIES
Luis Bracamonte Loayza	Corporate Business Manager of Ferreycorp	Fiansa, Soltrak, Fargoline, Forbis Logistics, Motored in Peru, Cresko, Motriza and Soluciones Sitech Peru
Patricia Gastelumendi Lukis	Corporate Finance Manager of Ferreycorp	Director of all the corporation companies
Rodolfo Paredes León	Corporate Development Manager of Ferreycorp	Fiansa, Soltrak, Fargoline y Forbis Logistics
Oscar Rubio Rodríguez	Corporate Business Manager of Ferreycorp	Unimaq, Orvisa, Motored in Peru, Cresko, Motriza, Terex and Maquicentro
Gonzalo Díaz Pro	General Manager of Ferreyros	Unimaq, Ferrenergy, Orvisa, Fiansa, Soluciones Sitech Peru, Motriza, Cresko, companies of the Gentrac group and Trex
Enrique Salas Rizo-Patrón	National Accounts Division Manager of Ferreyros	Unimaq, Soltrak, Motored in Peru, Cresko, Motriza and Soluciones Sitech Peru
Andrea Sandoval Saberbein	Corporate Excellence Manager of Ferreyros	Fargoline and Forbis Logistics
Hugo Sommerkamp Molinari	Managing Director of Finance of Ferreyros	Unimaq, Orvisa, Fiansa, Fargoline, Forbis Logistics, Cresko, Motriza, Motored in Peru y El Salvador, Mercalsa and companies of the Mercalsa and companies of the Gentrac group

## 4— Organization and Human Resources

In 2012, the company went through a reorganization process whereby corporate functions were assigned to the parent company, Ferreycorp. Since then Ferreycorp has been involved in the process of setting up its full managerial structure.

The corporate functions include choosing in which businesses they should venture, and through which subsidiary companies they should do it; supervising and monitoring the subsidiary companies' management, to establish some standardized processes for them and to provide them with some shared services. To carry out these functions Ferreycorp has a General Management and Corporate Managements. The subsidiary companies have, in turn, a structure that matches the complexity and size of its operations.

Hereinafter is a list of the senior management of Ferreycorp's and of its subsidiary companies in 2016. The professional background of each one of these managers is [available in Appendix 1, section 1.3.2.](#)



## 4— Organization and Human Resources

### Managers of Ferreycorp S.A.A.

**Mariela García Figari de Fabbri**  
General Manager

**Luis Bracamonte Loayza**  
Corporate Business Manager

**Oscar Rubio Rodríguez**  
Corporate Business Manager

**Andrés Gagliardi Wakeham**  
Corporate Manager of Human Resources,  
until December 2016

**Alberto García Orams**  
Corporate Manager of ICT, Processes  
and Innovation

**Patricia Gastelumendi Lukis**  
Corporate Finance Manager

**Tito Otero Linares**  
Corporate Manager of Internal Audit

**Rodolfo Paredes León**  
Corporate Development Manager

**Eduardo Ramírez del Villar López de Romaña**  
Manager of Corporate Affairs

**José Miguel Salazar Romero**  
Corporate Manager of Communication  
and Image

### Senior Managers of Ferreyros

**Gonzalo Díaz Pro**  
General Manager

**José López Rey Sanchez**  
Central Human Resources Manager

**Jorge Durán Cheneaux**  
Central Product Support Manager

**Hugo Sommerkamp Molinari**  
Central Finance Manager

**Luis Fernando Armas Tamayo**  
Large Scale Mining Division Manager

**Ronald Orrego Carrillo**  
Regional Accounts Division Managers

**Enrique Salas Rizo-Patrón**  
National Accounts Division Manager

### Senior Managers of other subsidiaries and business of Ferreycorp

**Alberto Parodi de la Cuadra**  
General Manager of Unimaq

**César Vásquez Velásquez**  
General Manager of Orvisa

**Ricardo Ruiz Munguía**  
General Manager of Gentrac (Guatemala and  
Belize) and Cogesa (El Salvador)

**Carlos Barrientos Gonzales**  
General Manager of Soltrak

**Henri Borit Salinas**  
General Manager of Motored

**Víctor Otero Pizarro**  
General Manager of Trex Latinoamerica

**Carlos Ojeda Iglesias**  
Manager of Trex in Peru

**Javier Barrón Ramos Plata**  
Manager of Cresko

**Jorge Devoto Núñez del Arco**  
General Manager of Forbis Logistics

**Raúl Neyra Ugarte**  
General Manager of Fargoline

**José Luis Chocarro Amunárriz**  
General Manager of Fiansa

**Marcos Wieland Conroy**  
General Manager of Soluciones Sitech Peru

**Ernesto Velit Suárez**  
General Manager of Ferrenergy

## 4— Organization and Human Resources



### HUMAN RESOURCES

Ferreycorp firmly believes that human resources is a key element if a company is to be successful and stand the test of time, just as we have been doing for the past 94 years. The mission of the Corporate Human Resources Management is to promote within the various Ferreycorp companies the human resources management style that fits our corporate principles and business strategy. By acting in this way, Ferreycorp spurs the commitment of its leaders and employees towards meeting the established business goals.

The Human resources management has defined the following wide scope goals:

- To maintain high occupational health and safety standards that safeguard the life and health of all our employees.
- To consolidate a corporate culture that promotes the growth of the corporation and the achievement of its objectives.
- To develop pivotal leaders, committed with and managers of the organizational culture.
- To boost talented coworkers so that they reach their best results and thus contribute to the sustainability of each business unit.
- To become benchmarks of best practices in labor management relations, which is reflected in a very good working environment.

## 4— Organization and Human Resources

Ferreycorp and its subsidiary companies have 6,540 employees in Peru and other Latin American countries, as described below:



## 4— Organization and Human Resources

Hereinafter are descriptions of several of the Corporations' main Human Resources management initiatives and practices.

### Organizational Environment

The motivation and commitment of our employees depend largely on their level of satisfaction with the proposals made to them by the corporation and its companies; that is why we keep on implementing the good practice of gauging the labor environment.

»»»» **We are an innovative corporation, with passion for our clients and for our people, oriented towards achieving excellent operational results, solid values, flexibility and collaboration.**

In 2016, a Labor Environment Survey was applied in order to gather the opinion of our employees about their experience in their working areas. The survey included the following factors: leadership, commitment, recognition, opportunities for development, benefits and compensation, structure and processes, quality and customer-focus, innovation and safety, among others. There was a very high participation rate, 95%, and the factors evaluated enjoyed a high level of favorability, above the average in Peru and in the region, according to the statistics provided by the consultants who facilitated the survey process. One of the most remarkable results was how proud the employees are of being part of the Ferreycorp corporation and the high level of their commitment.

### Commitment to Occupational Health and Safety

For several years, Ferreycorp has had in place an Integrated System of Occupational Health, Safety and Environmental Management that sets the standards and best practices to be observed in the operations of its subsidiaries in order to

safeguard the life and health of its employees. In this way, it tries to avoid accidents and incidents that could affect its employees and stakeholders. The corporation oversees the system's compliance and monitors the safety indicators.

After analyzing the results of the last five years, we can see that the corporation companies' safety indexes are progressively improving; in this respect, in 2016 the rate of accidents was 0.6.

Caterpillar decided that this year a Recordable Injury Frequency (RIF) of 3 should be achieved. The domestic companies of the corporation connected with Caterpillar attained an RIF equal to 0.98, largely exceeding the established expectations.

### Corporate Culture and Development of Leaders

The strategy of each one of the corporation subsidiaries is aligned with Ferreycorp's strategy. The proposal of the corporation and its subsidiaries is to offer a portfolio of products and services in the field of capital goods to the main economic sectors and therefore they



## 4— Organization and Human Resources

should share some cultural principles. The implementation of the corporate strategy needs to rely on a comprehensive, integrated and strategic vision developed through culture and leadership programs. During 2016, we completed the culture project, launched the previous year, to facilitate the organizational change processes.

A significant number of leaders and employees from all the subsidiaries in Peru and abroad were involved in this project. They defined the Ferreycorp's culture as summarized below:

“We are an innovative corporation, with a passion for customer service and for our people, focused on achieving results with operational excellence, sound values, flexibility and collaboration”.

In tune with the strategic approach and Ferreycorp's culture definition, the leader profile of the corporation and its subsidiary companies was revised and compared with their various roles and functions. In 2016, the corporation leaders participated in an evaluation program in order to outline individual development plans and management succession plans that involve training and capacity building programs.

### Performance Management

It is clear for the corporation that in order to achieve the strategic objectives and goals, it is necessary to establish a robust performance management program that will also enable the development of its employees and keep their motivation levels high. Therefore, it has a Performance Management program that was redesigned in 2016.

The performance management process consists of four stages: setting objectives; assessing the first semester's performance; gauging; and an annual performance evaluation. The evaluation involves both the skills required for each job as well as the objectives set for the year. There are 13 skills assessed, divided into the following segments: strategic, operative, people-related and individual.

Parallel to this we are working on reinforcing the importance of constant feedback in all of the corporation's subsidiaries, because it helps us to know and to encourage employees' strengths, set guidelines to work on their opportunities for improvement, and especially, to motivate and improve the team performance.

### Compensations and Benefits

Employees are punctually paid, as per the established legal requirements and the applicable social benefits are fully respected in all cases. Additionally, they have a series of corporate benefits in health, education, housing, etc. Furthermore, a series of activities are developed to integrate employees and their families, as well as to encourage sports and community support activities.

It should be noted that Ferreycorp and its subsidiary companies promote a good work-life balance among their employees, so that they can comprehensively develop as persons and having time available to engage in non-professional activities or interests. The corporation promotes the right to fair treatment and respect for diversity.

### Internal Communication: Connection with the Corporation

In order to keep a headcount of more than 6,500 employees informed about the projects and news of Ferreycorp and of each one of its subsidiaries,

## 4— Organization and Human Resources

we have internal corporate communication channels, such as the Intranet (Mundo Ferreycorp), the magazine (Enfoque Ferreycorp) and the mailing list (Ferreycorp Comunicacion Interna).

To relaunch the Intranet, a new digital media for internal communication had to be created: the bimonthly newsletter Mundo Ferreycorp and the video channel Ferreycorp TV. Similarly, massive campaigns are directed to all the employees to contribute to building a sense of belonging to the corporation, the most recent one being “Los Ferreycorp”, that 89% of the employees rated as a good campaign.

In addition, many of the subsidiaries have communication systems that include intranet, magazine or newsletter, mailing lists, management videos, etc. There is a network of spokespersons and correspondents dedicated to the development of the abovementioned communication channels.

Furthermore, each one of the corporation subsidiaries has appointed teams who are in charge of ensuring a good working environment. Ferreyros, the main subsidiary company of the corporation, has the Sindicato Unitario de

Trabajadores de Ferreyros S.A., that, by the end of 2016, had 303 members who keep a good rapport with company representatives in the field of collective work relations, while contributing to the improvement of policies that secure their working conditions.

### In-House Training

The corporation fosters the development and mobility of its employees, through various training programs and a policy of employment opportunities that gives priority to in-house employees whenever there is a vacancy or a new job is created.

During 2016, in addition to the offer of in-house training, several subsidiaries have entered into agreements with academic institutions regarding graduate and undergraduate programs, specialized training courses, workshops and various other courses. The Corporation and its subsidiary companies contribute to the training efforts of their personnel with loans and bonuses.

In a similar manner, the Corporation and its companies train their personnel in-house with their own resources or with the support

of consultants. The training delivered to the technical personnel should be highlighted. During 2014, Ferreyros built a new Technical Development Center or Centro de Desarrollo Tecnico (CDT by its acronym in Spanish) in Callao. This center has a total area of 2,300 sq. m. and laid the foundation for courses on safety training, and some courses on regulations at the Corporation level, that will be expanded in the medium term.

Furthermore, a Virtual Campus is being developed, by means of a digital training platform. Through which various courses are offered to deal with certain standards and other contents. For instance, there are available courses on Information Security, the Data Protection Law, the requirements of the Financial Intelligence Unit of Peru and the Code of Ethics, for the various companies of the corporation.

## 4— Organization and Human Resources

### Governance: Policies and Standards

Para lograr el alineamiento organizacional se cuenta con sistema de políticas y normas corporativas que tienen alcance en todas las empresas de la corporación, en los ámbitos de gestión de recursos humanos, seguridad y laboral.



### Recognition of good management practices

In 2016, the corporation received important awards and recognitions for its good Human Resources Management practices. These recognitions include:

- **Socially Responsible Company Badge.**  
Given by Peru 2021 to Fargoline, Ferreyros, Soltrak, Motored and Unimaq.
- **Award for "The Most Admired Companies in Peru".**  
Given by PwC and the magazine G de Gestion to Ferreyrcorp, for the fourth time.
- **Merco Talento 2016: One of the top ten companies in attracting and retaining talent in Peru and leader in its sector.**  
Given by Merco and Universidad ESAN to Ferreyros for third year in a row.
- **Merco Empresas 2016: One of the top ten companies with the best reputation in Peru and leader in its sector**  
Given by Merco and diario Gestion to Ferreyros for fifth year in a row.

- **Good Labor Practices Contest 2016 of the Ministry of Labor and Employment Promotion: First Place.**

Concedido a Ferreyros por brindar mejores beneficios a sus trabajadores.

All these awards encourage the corporation to keep advancing with its plans and working with the goal of making a positive impact in its personnel.

In addition to these awards, it should be noted that the subsidiaries Ferreyros, Fiansa, Fargoline, Soltrak, Orvisa and Unimaq subsidiaries are members of the Association of Good Employers in Peru, sponsored by the American Chamber of Commerce (Amcham).

Ferreyros is a founding member of this institution, which unites those companies known for their respect towards their employees and for promoting an adequate labor environment by implementing human resources best practices in all of their processes.



expert  
**PASSION / VISION**  
for our industry

With the vision of an expert in its field, Ferreycorp has built unique support capacities in order to supplement the quality of Caterpillar and allied brands. The value proposal is enhanced with related parts and services; heavy transport vehicles, lift equipment, consumables, logistics, energy, metallurgy and technology.

## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### FINANCIAL MANAGEMENT

Ferreycorp has developed a business model that makes it possible to operate through subsidiary companies, specialized in certain market segments or in the supply of different groups of products and services, in a manner that is operationally autonomous, but that shares the strategic consistency established by the corporation. Therefore, the corporation approves the strategy of each one of its subsidiaries, defines some operational guidelines, establishes standardized processes wherever needed, and implements monitoring tools to improve the corporation's performance.

Meanwhile, the subsidiaries carry out their business relying on the certain skills that make up their competitive advantage, such as having: i) representations of world-class brands; ii) adequate inventories to meet their customers' requirements and deadlines; iii) suitable infrastructure in each of the countries where they operate; iv) financial services to cater to their customers' demand; v) financial resources from diversified sources; and vi) organizational



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

structures and functional talents that are instrumental in implementing their strategies.

Ferreycorp, as parent company and as part of its growth goals, also makes investments, through the purchase or buyout of acquisitions in Peru and abroad, always in the field of capital goods and related services, including the logistic business, in which it has developed capabilities throughout its history as the country's main importer and distributor of capital goods within a vast territory. Furthermore, it authorizes investments in its subsidiary companies, including the introduction of new products or business lines.

As a result, a great extent of the corporation's revenues come from the profits of its subsidiaries' operations, in the form of equity value, as well as the dividends it receives from the subsidiaries each year.

At the same time, the parent company Ferreycorp receives income from the leasing its properties, from the interests on loans given to its subsidiaries, and from the corporate services it provides to subsidiaries, while looking to build synergies and generate savings by establishing the most favorable corporate fees.

The corporation has a combined strategy in its property leasing services: Ferreycorp owns some premises, while others belong to its subsidiaries, according to their business plans. After the company's reorganization process carried out in 2012, Ferreycorp retained the premises that its main subsidiary Ferreyros uses, located throughout the Peruvian territory. Later on, it transferred to Ferreyros the premises located in Ica, Arequipa, Cajamarca, Chimbote, Huaraz and Trujillo. Currently, the corporation owns real estate worth USD 90 million, leased to the subsidiaries as part of the parent company's real estate business, under market-price contracts.

It should be noted that, in 2016, as part of the Premises Master Plan, and in order to provide better quality services to its customers located in the southern region, while continuing to increase business, Ferreyros started building a second Workshop to Repair Components in a 50,000 sq. m land lot in La Joya, Arequipa, located strategically close to the mining operations. The estimated total investment for this facility, that encompasses land price, infrastructure works and equipment, is approximately USD 29 million. During 2016, USD 7.5 million of this total amount was invested in land and civil works.

- »»»» **The corporation approves the strategy of each of its subsidiaries, establishing certain guidelines for its operation, defining standardized processes where needed and implements monitoring and control mechanisms for better functioning.**

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Likewise, in that same year the construction works were started, with an investment of USD 3.7 million, in a lot of land bought in the district of Punta Negra, in Lima, that will be used by several subsidiaries of the corporation. The overall estimated investment in this facility is around USD 28 million, which includes the land cost, already purchased in 2015 at USD 19.5 million, as well as the infrastructure work and the equipping costs.

On the other hand, Ferreycorp has centralized some business activities to profit from their synergies and to standardize several processes. These activities include Internal Auditing, legal advice, risks management and financial planning, external communications and brand positioning, mergers and acquisitions, safety programs auditing, contracts with regular suppliers, developing common talent and internal communication management programs, development of infrastructure, IT and processes, among others.

The corporation's financial management underpins the commercial operations by protecting their gross margins, controlling

operating expenses, promoting the largest possible synergies and efficiency rates, maximizing assets turnover to reduce investments in working capital and by managing the financing sources so that the corporation can achieve the lowest possible funding cost. All of these measures aim at obtaining the best possible return on the capital invested in each business.

### Transactions among Companies

Ferreycorp's aim has been that the services it provides to its subsidiaries be comparable with other services that, in similar conditions, can be delivered at market value. It has even established prices that are comparable using the quartile method. In this way, the corporation applies its strategy and abides by the accounting and tax norms of the International Financial Reporting Standards (IFRS), adopted by Ferreycorp as of 2010, and the principles of good Corporate Governance.

To ensure transparency in its operations, the corporation has established a norm regarding the transfer prices between the group's companies and it has a special area in charge of reviewing



# 27%

was the increase of Ferreycorp's share price in 2016.



# US\$90 million

is the value of the stores that the corporation leases to its subsidiaries.



# 1962

is the year in which Ferreycorp went public on the Lima Stock Exchange.

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and checking such transactions. This is done through a detailed analysis of the sales between companies, of the support functions given by the corporation to its subsidiaries, of the assets or resources used to perform those functions, and of the risks and costs assumed by the corporation. Furthermore, an auditing firm annually validates the pricing process and issues a transfer price report, which must be submitted together with the tax return statement to the tax administration.

### Financial sources

In order to achieve better financial results in terms of both structure and cost of funding and in the impact of financial expenses, the corporation diversifies its funding sources and maintains long-term relationships with its main financial providers.

Its financing strategy aims at centrally and directly obtaining and managing funds when needed. The main objective of the corporation's treasury and of its subsidiaries is to obtain corporate financing lines from banks, which can

then be negotiated individually in order to obtain the best possible terms. The corporation gives some guidelines to its subsidiaries and tracks the type of currency to be used, looking for a natural match for the companies of the various countries where it operates, in order to avoid foreign exchange rate losses. The funding term depends on the type of transaction involved, i.e., whether it is part of the working capital or whether it is required to finance medium-term investments.

It is critical for the corporation's finances to find a balance between required terms and funding costs. Traditionally, the corporation has succeeded in securing its funding from local and foreign banks, from Caterpillar Financial Services (the financial arm represented by Caterpillar), and from local or international capital markets.

In this respect, the corporation has issued bonds in the international market and has received loans from financial institutions at preferential rates and with good financial conditions, thanks to the corporation's good image, reputation and excellent record of accomplishment of payment history. These elements enable the corporation

to share these facilities with its connected companies through loans. It also manages credit lines for its subsidiary companies.

### Capital Market

Ferreycorp is an active participant in the capital market since its shares were listed on the Lima Stock Exchange (BVL by its acronym in Spanish) in 1962. In the last few years, these shares have yielded interesting levels of profitability to investors. In this respect, the corporate policy of paying cash dividends, applied for nearly 20 years, stands out in the BVL.

However, in 2015 and 2016, the slowdown of the global economy and the depreciation of the Peruvian currency affected the capital market. This scenario, together with Morgan Stanley Capital International's (MSCI) proposal to change the rating of the BVL, adversely affected the prices of Peruvian companies' shares. For this reason, the Board of Directors of Ferreycorp approved a program to repurchase shares issued by the corporation (treasury shares) in August 2015, which allowed the corporation



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to meet several objectives; one of them being to give the market a message of confidence in the business environment, and to avoid an abrupt fall of the share price by withdrawing shares from the market. This last objective looked to give added value to shareholders and to make their investment more profitable, taking into consideration that the foundations of the corporation are very solid and that the fundamental value of its shares is well above market value. The repurchase was possible thanks to Ferreycorp's cash surpluses in 2015 and

2016, and thus there was no negative impact on the corporation's cash flow and debt level.

This program consisted in the acquisition of up to 50 million shares on the BVL. At the year-end of December 2016, Ferreycorp had repurchased 50,208,800 shares, valued at PEN 73 million, with an average price of PEN 1.46.

It should be noted that, as part of the General Index of the BVL, the share price of Ferreycorp showed an increase of 27% during 2016, reaching

the beginning of the year at PEN 1.33 and closing at PEN 1.69. Additionally, in accordance with the dividend policy, cash dividends were paid in May equivalent to 8% of the capital. Consequently, whoever acquired a share of PEN 1.33 on January 1, 2016, obtained a profit of 34%, both through cash dividends and stock appreciation during the year.

Ferreycorp has also ventured in the issuance of debt instruments, with a first local corporate bond of USD 5 million in 1994, and an international corporate bond in 2013, reflecting



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the fact that the capital market has been one of its main funding sources, both through corporate bonds and commercial bills, as well as through capital increase via stock issues.

In particular, on the date when the international bond was offered, the corporation needed more equity for its projected growth and new business investments. However, the slowdown of the economy curtailed those needs, and therefore,

»»»» **2016 was an intensive year regarding service to investors, both to those who hold variable debt and to those who hold fixed income securities.**

in June 2016, once the relevant process was completed, the holders of the abovementioned bonds were paid USD 124 million. All of them had the opportunity to participate in this repurchase under the same conditions, through a Tender Offer, consistent with the good practices of Corporate Governance and transparency, hallmarks of the corporation. This greater flexibility will contribute to achieve the objective of reducing the debt incurred by Ferreycorp over the last three years.

On the other hand, the increasing number of investors who have shares in the company turned 2016 into a service intensive year, helping those who hold variable debts (shares) as well as those who have securities as fixed income securities (bonds) of Ferreycorp. Executives of the Relations with Investors Management and of the Financial Management participated in many conferences with investors. We continued with the quarterly telephone conferences to present results and we provided information to analysts and brokerage houses that hedge shares.

### Assets Management

The corporation and its subsidiaries are aware that an important element to achieve expected profitability and improve their cash cycle is to have an efficient Assets Management. In this respect, the operative companies of the corporation and in particular Ferreyros S.A., which represents 65% of the corporation's business, have achieved better control and decreased their inventories and assets in general.

During 2016, the demand for leasing of equipment declined and the fleet was resized, thus reducing this investment by approximately USD 28 million.

With respect to the accounts receivable, with the objective of reducing credit operations risks that are not its core business, as well as to improve its asset turnover ratio, some years ago the corporation adopted the policy of limiting credit to their clients. Credit is seldom requested because there are other competitor options, especially those of Caterpillar Financial, which

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has a significant role in funding the corporation's customers, or bank credits, with better terms and interest rates. Nevertheless, the accounts payable represent an important asset for the corporation, because the category includes all of the invoices issued when selling spare parts, leases or other goods or services like machinery or equipment, in the form of short-term, 30-day loans that are generated as invoices to be paid by financial institutions like Caterpillar Financial and banks, who provide financial resources to the clients of the corporation.

In 2016, the total investment in accounts receivable from companies of the corporation showed an increase, mainly due to the extension in the payment date for a significant package of machinery for a mining company.

### Comprehensive Risk Policy

As part of its commitment with sustainability and good Corporate Governance, Ferreycorp manages risks within the corporate framework, providing managers of its subsidiaries with the guidelines to identify, analyze, evaluate,

respond to, monitor and communicate risks, as well as opportunities that will have an impact in achieving its goals. This policy promotes the strengthening of the good Corporate Governance of Ferreycorp and its subsidiaries and defines governance by establishing the roles and responsibilities of those involved in comprehensive risk policy management. Its purpose is to provide a clear and consistent foundation for informed decision-making by periodically identifying operative and financial risks of all Ferreycorp companies. These risks are identified and submitted by a risk executive, and are then approved by the General Management

and the subsidiary Board of Directors; they are also annually submitted to the Audit and Risks Committee of the Board of Directors of the corporation.



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### MANAGEMENT'S ANALYSIS AND DISCUSSION OF THE FINANCIAL STATEMENT AUDITS

Ferreycorp S.A.A., in its holding capacity, carries out investments in both its national and international subsidiaries and establishes strategic alignments and policies with which all companies within the corporation must comply. The corporation's income, on an individual level, is generated principally by its participation in the investments in subsidiaries both in Peru and abroad, as well as in joint businesses.

By maintaining ownership of the properties used by its principal subsidies, Ferreyros

S.A., the corporation Ferreycorp receives as operational income rents that cover the operating costs of administering such properties. These rental agreements have signed contracts with set term agreements and market-price rates.

Additionally, the corporation fulfills the role of financing its subsidiaries in order to concentrate loans in high-volume operations and, as a result, to achieve better conditions, as has been the case with the placing of corporate

bonds in the international market. In this way, the corporation also receives revenues from the interest that corresponds to issued loans.

For a thorough understanding of the business volume and the gains of the all the related businesses of the corporation, it is recommended to read this chapter, taking into consideration the consolidated financial statement.

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### SEPARATED FINANCIAL STATEMENT OF FERREYCORP S.A.A. Financial Statement Overview

#### BALANCE SHEET (IN MILLIONS OF PERUVIAN SOLES)

			VARIATION	
	12-31-16	12-31-15	AMOUNT	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	25.0	76.7	-51.7	-67.4
Commercial Accounts Receivable, net value	4.4	3.3	1.1	33.3
Accounts Receivable to Related Entities	132.5	106.2	26.3	24.8
Other Accounts Receivable, net value	23.3	16.3	7.0	42.9
Anticipated Expenditures	1.2	0.7	0.5	71.4
<b>Total Current Assets</b>	<b>186.4</b>	<b>203.2</b>	<b>-16.8</b>	<b>-8.3</b>
Commercial Accounts Receivable, net value	1.4	0.0	1.4	
Long-term Accounts Receivable to Related Entities	455.3	696.4	-241.1	-34.6
Other Long-Term Accounts Receivable, net value	0.9	1.3	-0.4	-30.8
Investments in Subsidiaries, Associates and Joint Businesses	1,695.7	1,635.6	60.1	3.7
Investment Properties, net value	292.0	298.0	-6.0	-2.0
<b>Total Assets</b>	<b>2,632.1</b>	<b>2,834.5</b>	<b>-202.4</b>	<b>-7.1</b>

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### BALANCE SHEET (IN MILLIONS OF PERUVIAN SOLES)

(continued)

	31-12-16	31-12-15	VARIATION	
			AMOUNT	%
<b>Liabilities and Net Equity</b>				
<b>Current Liabilities</b>				
Other Financial Liabilities	60.9	52.6	8.3	15.8
Commercial Accounts Payable	1.4	2.7	-1.3	-48.1
Other Accounts Payable	25.4	48.5	-23.1	-47.6
Accounts Payable to Related Entities	2.9	0.9	2.0	222.2
<b>Total Current Liabilities</b>	<b>90.6</b>	<b>104.7</b>	<b>-14.1</b>	<b>-13.5</b>
Other Financial Long-Term Liabilities	714.2	1,045.8	-331.6	-31.7
Deferred Income Tax Liabilities, net value	29.9	25.9	4.0	15.4
<b>Total Non-Current Liabilities</b>	<b>744.1</b>	<b>1,071.7</b>	<b>-327.6</b>	<b>-30.6</b>
<b>Total Liabilities</b>	<b>834.7</b>	<b>1,176.4</b>	<b>-341.7</b>	<b>-29.0</b>
<b>Equity</b>				
Issued Capital	1,014.3	1,014.3	0.0	0.0
Treasury Stock	-50.2	-27.0	-23.2	85.9
Additional Capital	50.3	65.4	-15.1	-23.1
Legal Reserve	139.4	123.2	16.2	13.1
Other Equity Reserves	272.5	243.5	29.0	11.9
Accumulated Gains	371.1	238.7	132.4	55.5
<b>Total Equity</b>	<b>1,797.4</b>	<b>1,658.1</b>	<b>139.3</b>	<b>8.4</b>
<b>Total</b>	<b>2,632.1</b>	<b>2,834.5</b>	<b>-202.4</b>	<b>-7.1</b>

## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

As of 31 December 2016, total assets reached PEN 2,632.1 million with respect to PEN 2,834.5 million on 31 December 2015, which indicates a reduction of PEN 202.4 million (-7.1%). The principal variations in assets are a result of: a) the reduction of account balance due to charging affiliates for payments received by several subsidiaries; and b) the reduction of the cash balance, by having applied funds to issue loans to several subsidiaries. This reduction was compensated partially by the increase in investment values of PEN 60 million, due to the accounting policy of increasing investment in subsidiaries, associates and joint businesses according to the equity method.

As of 31 December 2016 total liabilities reached to PEN 834.7 million compared with PEN 1,176.4 million on 31 December 2015, equivalent to a reduction of PEN 341.7 million (-29.0%). This variation is explained by the aforementioned reduction of assets.

### Financial Ratios

The current ratio as of 31 December 2016 is 2.06, slightly greater than the current ratio of 1.94 on 31 December 2015. The financial debt ratio on 31 December 2016 is 0.42, in comparison with 0.62 on 31 December 2015. The cash balance, banks and liabilities with providers that do not generate financial costs have been excluded from the calculation of this ratio.

The total debt ratio as of 31 December 2016 is 0.46, in comparison with 0.71 on 31 December 2015.



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### PROFIT AND LOSS STATEMENT (IN MILLIONS OF PERUVIAN SOLES)

	2016	2015	VARIATION
	AMOUNT	AMOUNT	%
<b>Gains</b>			
Subsidiary, Associate and Joint Business Gain Participation	249.9	212.4	17.7
Financial Gains	43.1	36.0	19.7
Rents	27.6	29.8	-7.4
Management Support Services	8.4	10.6	-20.8
Diversified Gains	5.2	5.2	0.0
	<b>334.2</b>	<b>294.0</b>	<b>13.7</b>
<b>Operating Costs and Expenses</b>			
Financial Expenses	-62.2	-59.4	4.7
Administrative Expenses	-32.0	-28.6	11.9
Rents	-5.4	-6.3	-14.3
Diversified Gains	-0.9	-0.7	28.6
Exchange Difference, net value	-0.6	-42.7	-98.6
	<b>-101.1</b>	<b>-137.7</b>	<b>-26.6</b>
<b>Profit before Tax</b>	<b>233.1</b>	<b>156.3</b>	<b>49.1</b>
Provision for Income Tax	-2.7	5.5	-149.1
<b>Net Profit</b>	<b>230.4</b>	<b>161.8</b>	<b>42.4</b>



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

The higher gains in 2016 can largely be attributed to the gains obtained by the corporation for its participation in the profits of subsidiaries, associates and joint businesses, explained the higher net profit of subsidiaries and by the higher financial gains.

The lower expenditures of 2016 essentially correspond to a small loss in exchange rates in comparison with that registered in 2015. In 2016, there was an appreciation of the sol with respect to the dollar of 1.55%, compared with an appreciation of the dollar against the sol of 14.19% in 2015.

### **Changes in Parties Responsible for the Preparation and Revision of Financial Information**

During 2016 and 2015, no changes were recorded in those parties responsible for the preparation and revision of the company's financial information.



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### CONSOLIDATED FINANCIAL STATEMENT OF FERREYCORP S.A.A.

Hereinafter is presented the consolidated financial statement as of 31 December 2016 and 31 December 2015, and the explanation of the primary accounts and their variations. For all intents and purposes, some figures have been reclassified in the income statement detailed below in order to include the gross income of purchase orders transferred by Caterpillar to Ferreyros as sales and sales costs.



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### Overview of the Consolidated Financial Statement of Ferreycorp and Subsidiaries

#### CONSOLIDATED FINANCIAL STATEMENT (IN MILLIONS OF PERUVIAN SOLES)

			VARIATION	
	12-31-16	12-31-15	AMOUNT	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	128.9	233.3	-104.4	-44.7
Commercial Accounts Receivable, net value	1,080.1	957.0	123.1	12.9
Other Accounts Receivable, net value	188.7	140.9	47.8	33.9
Stock	1,233.0	1,379.4	-146.4	-10.6
Anticipated Expenditures	21.9	22.2	-0.3	-1.4
<b>Total Current Assets</b>	<b>2,652.6</b>	<b>2,732.8</b>	<b>-80.2</b>	<b>-2.9</b>
Commercial Accounts Receivable, net value	45.0	47.9	-2.9	-6.1
Other Long-Term Accounts Receivable, net value	1.7	4.6	-2.9	-63.0
Investments in Associates and Joint Businesses	78.2	93.5	-15.3	-16.4
Estates, Machinery and Equipment, net value	1,524.9	1,593.1	-68.2	-4.3
Intangibles, net value	81.0	86.1	-5.1	-5.9
Goodwill Credit	187.9	178.6	9.3	5.2
Differed Income Tax Assets	197.9	180.0	17.9	9.9
<b>Total Non-Current Assets</b>	<b>2,116.6</b>	<b>2,183.8</b>	<b>-67.2</b>	<b>-3.1</b>
<b>Total Assets</b>	<b>4,769.2</b>	<b>4,916.6</b>	<b>-147.4</b>	<b>-3.0</b>

## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

CONTINUED

### CONSOLIDATED FINANCIAL STATEMENT (IN MILLIONS OF PERUVIAN SOLES)

	12-31-16	12-31-15	VARIATION	
			AMOUNT	%
<b>Liabilities and Equity</b>				
<b>Current Liabilities</b>				
Financial Obligations	735.5	525.6	209.9	39.9
Commercial Accounts Payable	507.3	460.0	47.3	10.3
Other Accounts Payable	422.0	463.6	-41.6	-9.0
Income Tax Liabilities	11.4	31.0	-19.6	-63.2
<b>Total Current Liabilities</b>	<b>1,676.2</b>	<b>1,480.2</b>	<b>196.0</b>	<b>13.2</b>
Other Financial Liabilities	956.0	1,410.1	-454.1	-32.2
Other Accounts Payable	0.4	0.7	-0.3	-42.9
Deferred Income Tax Liabilities	218.2	207.3	10.9	5.3
Minority Interest	3.9			
<b>Total Liabilities</b>	<b>2,854.7</b>	<b>3,098.3</b>	<b>-247.5</b>	<b>-7.9</b>
<b>Equity</b>				
Issued Capital	1,014.3	1,014.3	0.0	0.0
Treasury Stock	-50.2	-27.0	-23.2	
Additional Capital	50.3	65.4	-15.1	-23.1
Legal Reserve	139.4	123.2	16.2	13.1
Other Equity Reserves	389.7	423.5	-33.8	-8.0
Accumulated Gains	371.0	218.9	152.1	69.5
<b>Total Equity</b>	<b>1,914.5</b>	<b>1,818.3</b>	<b>96.2</b>	<b>5.3</b>
<b>Total</b>	<b>4,769.2</b>	<b>4,916.6</b>	<b>-151.3</b>	<b>-3.0</b>

## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

As of 31 December 2016 total assets reached PEN 4,769.2 million, compared with PEN 4,916.6 million on 31 December 2015, which represents a reduction of PEN 151.3 million (-3.0%). The primary variations of the asset accounts that explain this are the following:

- a) The reduction of PEN 146.4 million in inventory, due to the strict tracking management of assets, which constitutes one of the company's principal management goals with the intention to improve cash flow.
- b) The reduction of fixed assets, of PEN 1,593.1 million in 2016, compared with PEN 1,524.9 million in a similar period of the previous year.

As of 31 December 2016, total liabilities reached PEN 2,854.7 million compared with PEN 3,098.3 million on 31 December 2015, which indicates a reduction of PEN 247.5 million (-7.9%), explained by the aforementioned reduction of assets.

### Financial Ratios

The current ratio as of 31 December 2016 is 1.58, less than the current ratio of 1.85 on 31 December 2015.

The financial debt ratio as of 31 December 2016 is 0.85, less than the ratio of 0.97 on 31 December 2015. In order to calculate this ratio, cash and bank balances and liabilities with providers that do not generate financial expenditure have been excluded.

The debt ratio as of 31 December 2016 is 1.49, less than the 1.70 obtained as of 31 December 2015.

The net financial debt ratio (in cash) / EBITDA as of 31 December 2016 was 2.78, greater than the 2.64 reached on 31 December 2015, and the adjusted ratio of 2.52, if inventory financing is reduced. Regarding this matter, the corporation continues to demonstrate its capacity to generate the cash necessary to fulfill its obligations without inconveniences and finds itself in compliance with the covenants established in the contract of international corporate bond emission.



## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### OVERVIEW OF THE CONSOLIDATED STATEMENT OF OPERATIONS OF FERREYCORP S.A.A. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENT OF INCOME (IN MILLIONS OF PERUVIAN SOLES)

	2016		2015		VARIATION
	Amount	%	Amount	%	%
Net Sales	4,856.3	100.0	5,332.5	100.0	-8.9
Sales Costs	-3,675.4	-75.7	-4,040.4	-75.8	-9.0
<b>Gross Profit</b>	<b>1,180.9</b>	<b>24.3</b>	<b>1,292.1</b>	<b>24.2</b>	<b>-8.6</b>
Sales and Administrative Costs	-796.7	-16.4	-819.9	-15.4	-2.8
Diversified Income (Expenses), net value	41.0	0.8	18.2	0.3	125.3
<b>Operating Profit</b>	<b>425.2</b>	<b>8.8</b>	<b>490.4</b>	<b>9.2</b>	<b>-13.3</b>
Other Income (Expenses)					
Financial Income	26.1	0.5	21.3	0.4	22.5
Financial Expenses	-124.7	-2.6	-106.3	-2.0	17.3
Exchange difference, net value	0.4	0.0	-151.8	-2.8	-100.3
Participation in Income of Associates and Joint Businesses	-7.3	0.2	5.9	0.1	23.7
	<b>-90.9</b>	<b>-1.9</b>	<b>-230.9</b>	<b>-4.3</b>	<b>-60.6</b>
<b>Profit before Taxes</b>	<b>334.3</b>	<b>6.9</b>	<b>259.5</b>	<b>4.9</b>	<b>28.8</b>
Income Tax	-103.9	-2.1	-97.7	-1.8	6.3
<b>Net Profit</b>	<b>230.4</b>	<b>4.7</b>	<b>161.8</b>	<b>3.0</b>	<b>42.4</b>

## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

### NET SALES (IN MILLIONS OF PERUVIAN SOLES)

	2016		2015		VARIATION
	Amount	%	Amount	%	%
Domestic Sales	4,290.2	88.3%	4,674.2	87.7	-8.2%
International Sales	566.1	11.7%	658.3	12.3	-14.0%
<b>Total</b>	<b>4,856.3</b>	<b>100.0%</b>	<b>5,332.5</b>	<b>100.0%</b>	<b>-8.9%</b>

### IN MILLIONS OF PERUVIAN SOLES

	2016	2015	VARIATION
			%
<b>Machinery and Equipment</b>			
Mining Trucks and Cat Machines (GM)	538.9	573.8	-6.1
Caterpillar Machines and Motors to Other Sectors (NGM)	703.6	1,045.5	-32.7
Rentals and Secondhand	359.4	465.6	-22.8
Partner Equipment	563.7	666.9	-15.5
	<b>2,165.6</b>	<b>2,751.8</b>	<b>-21.3</b>
Repairs and Services	<b>2,247.1</b>	<b>2,203.1</b>	<b>2.0</b>
Other Lines	<b>443.6</b>	<b>377.6</b>	<b>17.5</b>
<b>Total</b>	<b>4,856.3</b>	<b>5,332.5</b>	<b>-8.9</b>

## 5— Financial Management and Management Analysis and Discussion of Audited Financial Statements

Net sales in 2015 increased to PEN 4,856.3 million, in comparison with PEN 5,332.5 million in the previous year, which represents a reduction of -8.9%.

The sale of Caterpillar equipment and its partner brands reached PEN 2,165.6 million, which represents a reduction of -21.3%, as a result of less economic growth, a reduction in the levels of investment and, especially, a reduction in hiring in the construction and infrastructure sector.

The sale of replacement parts and services increased by 2.0%, in line with the growth and renovation of the machine park, which is a result of the sale of equipment over the past years.

Other business lines demonstrate an increase of 17.5%, explained by the lines of Safety Equipment, Lubricants and Pneumatics.

Upon analyzing the results of each company group, as of 31 December 2016, sales of Caterpillar distributors in Peru declined by -12.3%, principally due to less dynamism in various economic sectors, especially mining and construction. Caterpillar distributors and other businesses abroad present a decline of -12.6%, produced basically as a result of the reduction in sales within the construction sector. The third group of companies that supplements the offer of goods and services with the commercialization

of vehicles and equipment, consumables and logistic solutions, among other lines, demonstrated a sales increase of 15.9%, explained fundamentally by the higher gains reached by the growth of consumables and the subsidiaries that offer logistic services.



## 5— Gestión Financiera y Análisis y Discusión de la Gerencia sobre los Estados Financieros Auditados

### Sales Profit

Gross profit in 2016 was -8.6% inferior to that of 2015. As a percentage, the gross margin was 24.3%, similar to the 24.2% obtained in 2015.

### Sales and Administration Expenses

Sales and administration expenses in 2016 reached PEN 796.7 million, in comparison with PEN 819.9 million in the previous year, which represents a reduction of -2.8%.

### Diversified Net Income (Expense)

In 2016, a net gain of PEN 41.0 million was recorded in this sector. These higher gains, compared to PEN 22.8 million in 2015, were the result of the sale of various investments.

### Financial Gains

Financial Gain in 2016 reached PEN 26.1 million, 22.5% greater than the PEN 21.3 million of the previous year

### Financial Expenses

Financial expenses reached PEN 124.7 million in 2016, having totaled PEN 106.3 million the previous year, which represents an increase of 17.3%. This growth in financial expenses can be explained basically by the premium paid in the Tender Offer.

### Profit Lost in Exchange Rates

In 2016 and 2015, net liabilities in foreign currency yielded a profit of PEN 0.4 million and a loss of PEN 151.8 million, respectively. In 2016, this was a consequence of the appreciation of the Peruvian sol against the US dollar of 1.55%, while 2015 saw the appreciation of the dollar against the sol of 14.19%. (The exchange rate was PEN 3.413 on 31 December 2015, and it declined to PEN 3.360 by 31 December 2016; while the exchange rate was PEN 2.989 on 31 December 2014 and increased to PEN 3.413 by 31 December 2015).

### Income Tax

The Income Tax in 2016 and 2015 has been calculated in accordance with current tax and accounting standards

### Net Profit

Annual net profit reached PEN 230.4 million, an increase of 42.4% in comparison with PEN 161.8 million in the previous year. The reduced exchange rate variation from January to December of 2016 made it possible to obtain results without distortions, different from 2015, in which results were greatly impacted by an exchange loss of about PEN 151.8 million.

### Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA in 2016 totaled PEN 583.1 million, which represents a reduction of -12.6% compared with the PEN 667.2 million in the previous year, which is a direct result of the decline in sales.

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#### Information on the stock market registered in the public registry of the stock market

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# 6— Appendix 1 Business

## GENERAL FACTS

### Name, Address, Telephone, Fax and Contact Information

Company Name	Ferreycorp S.A.A.
Company Type	Publicly Traded Company
RUC	20100027292
Address	Jr. Cristóbal de Peralta Norte 820 Monterrico, Santiago de Surco, Lima, Peru
Telephone	511-626-4000
Fax	511-626-4504
Website	<a href="http://www.ferreycorp.com.pe">www.ferreycorp.com.pe</a>
Dedicated Client Line	511-626-5000
Dedicated Shareholder Line	0800-13372

## 6— Appendix 1 Business

### Establishment and Enrollment in the Public Registry

The Ferreycorp (previously Ferreyros S.A.A.) was established under the original name of Enrique Ferreyros y Compañía Sociedad en Comandita, by means of public register on, 14 September 1922, before the Public Notary of Lima, Dr. Agustin Rivero y Hurtado. It was recorded in entry 1, page 299, Book 15 of Commercial Registry of Lima. This company was dissolved, as is recorded in entry 10 of page 296 of book 30 of the Commercial Registry.

Enrique Ferreyros y Compañía S.A. absorbed the assets and liabilities of the previous company by means of public register on 21 September 1931, before the Notary Public of Lima, Dr. Agustin Rivero y Hurtado, as recorded in entry 1 of page 457 of book 31 of the Commercial Registry of Lima. The change in name to Enrique Ferreyros S.A. was made effective by means of public register on 23 November 1981 before the Notary Public of Lima, Dr. Jorge Orihuela Iberico, as recorded in certificate N° 11007355 of the Registry of Companies.

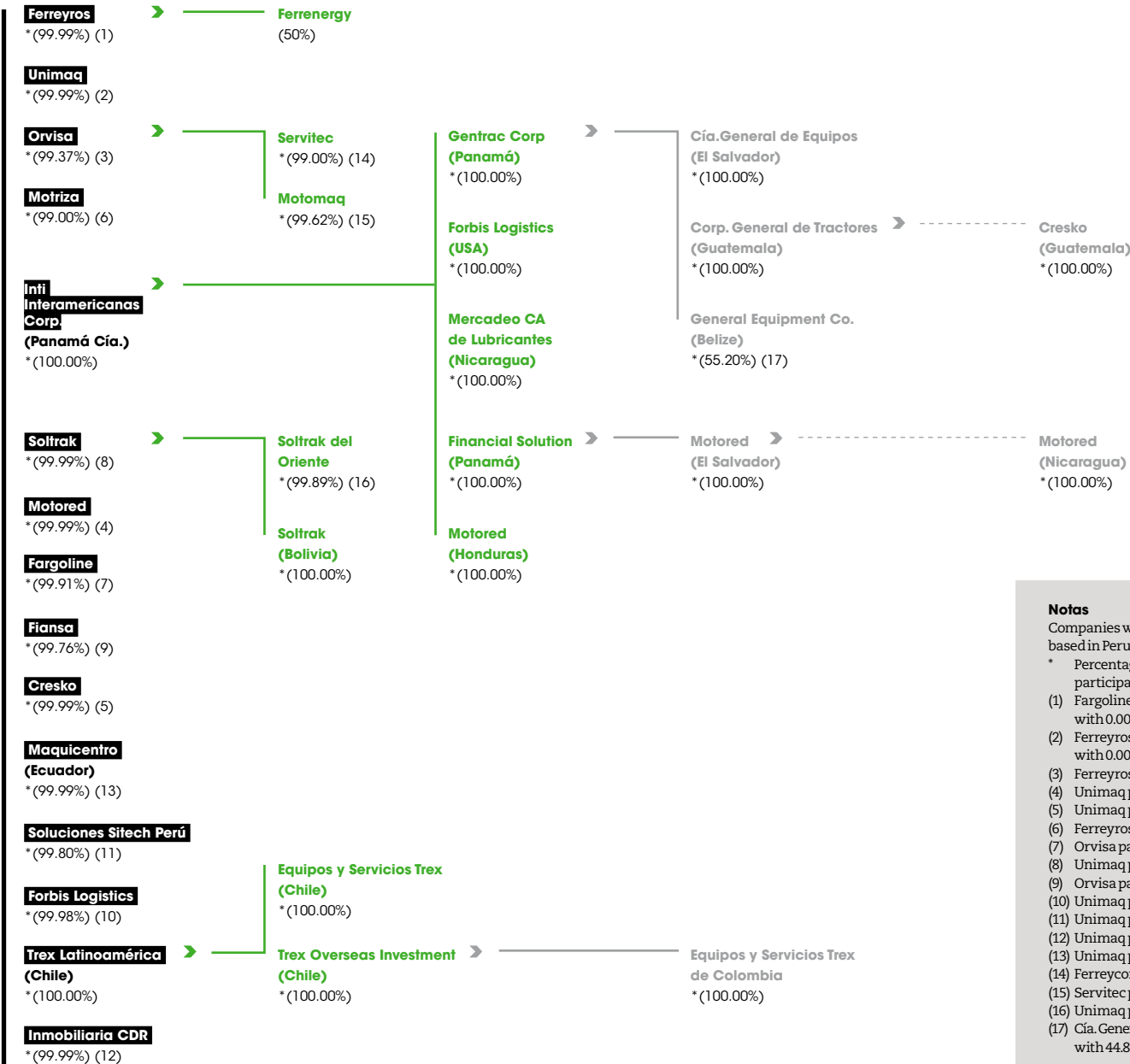
The change in name to Ferreyros S.A. was made effective by means of public register on 6 May 1996 before the Notary Public of Lima, Dr. Jorge Orihuela Iberico, recorded in entry 2B of the file 117502 of the book of Businesses of the Registry of Companies. On 24 March 1998, the Board of Directors agreed to modify the company name to Ferreyros S.A.A., as recorded in certificate N° 11007355 in the Registry of Companies.

According to the agreement in the board meeting in March 2012, the company underwent a process of Simple Reorganization, by means of which two equity blocks were allocated to two subsidiary companies. The first equity block, derived from business in the automotive division, was transferred to the subsidiary Motored S.A.; and the other block, derived from the business of the sales of machinery, equipment and post-sales service of the Caterpillar line and its partner brands, was transferred to the new subsidiary Ferreyros S.A.

After the allocation of these two equity blocks, the company changed its name from Ferreyros S.A.A. to Ferreycorp S.A.A.

The new organizational structure has enabled the company to concentrate on its role of investor, orienting each of its operating subsidiaries towards improving the service it provides to clients, expanding its coverage, attending its own business opportunities and improving its operational capacities.

**FERREYCORP**



**Notas**  
 Companies whose country is not specified are based in Peru.  
 \* Percentage of majority shareholder participation.  
 (1) Fargoline and Unimaq each participate with 0.00002%.,  
 (2) Ferreyros and Fargoline each participate with 0.0015%.  
 (3) Ferreyros participates with 0.6310%.  
 (4) Unimaq participates with 0.0002%.  
 (5) Unimaq participates with 0.0016%.  
 (6) Ferreyros participates with 1.0000%.  
 (7) Orvisa participates with 0.0867%.  
 (8) Unimaq participates with 0.0002%.  
 (9) Orvisa participates with 0.2426%.  
 (10) Unimaq participates with 0.0200%.  
 (11) Unimaq participates with 0.2000%.  
 (12) Unimaq participates with 0.0050%.  
 (13) Unimaq participates with 0.0010%.  
 (14) Ferreycorp participates with 1.0000%.  
 (15) Servitec participates with 0.3800%.  
 (16) Unimaq participates with 0.1100%.  
 (17) Cía.General de Equipos participates with 44.8%.

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### Social Capital and the Stock Price Performance

As of 31 December 2016, Ferreycorp's social capital is represented by 1,014,326,324 common shares of a nominal value of PEN 1.00 per share, integrally underwritten and paid, of which 64.77% belong to Peruvian investors and 35.23% to foreign investors. Shares in circulation as of 31 December 2016 are 964,117,524.

The value at the beginning of the year was PEN 1.33, and upon the year's close, PEN 1.69. The maximum value reached was PEN 1.80 on 19 April and the minimum PEN 1.17 on 2 February 2016. The average share price in 2016 was PEN 1.58, when taken into consideration the closing prices of the Lima Stock Exchange.

### Repurchasing of Shares

During 2015 and 2016, Ferreycorp repurchased 53 million shares and sold 3 million, leaving a balance of 50.2 million shares, in accordance with the approval of the Board of Directors in August 2015.

The 50.2 million shares represent 5% of the total shares of the corporation. The average

price of the repurchased shares was PEN 1.46, which demonstrates a recovery of 45.69%, if the original acquisition price of PEN 1.16 is taken into consideration.

### Shareholder Composition

The shareholders with 5% participation or greater in the company's capital as of 31 December 2016 are:

NAME	NUMBER OF SHARES	PARTICIPATION (%)	ORIGIN
La Positiva Vida Seguros y Reaseguros S.A.	81,946,494	8.4996%	Peru
Onyx Latin America Equity Fund LP	78,099,735	8.1006%	United States of America
Ri-Fondo 2	71,453,171	7.4113%	Peru
Equinox Partners LP	57,280,455	5.9412%	United States of America
In-Fondo 2	49,340,450	5.1177%	Peru

La distribución de acciones con derecho a voto es la siguiente:

HOLDING	N° OF SHAREHOLDERS	N° OF SHARES	% OF PARTICIPATION
More than 10% of Capital	0	0	0.0000%
Between 5% and 10% of Capital	5	338,120,305	35.0705%
Between 1% and 5% of Capital	18	376,649,236	39.0668%
Less than 1 % of Capital	2,305	249,347,983	25.8628%
<b>Total</b>	<b>2,328</b>	<b>964,117,524</b>	<b>100.0000%</b>

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### Description of Operations and Development

#### Corporate Purpose

In accordance with the second article of its articles of incorporation, Ferreycorp S.A.A. has the principal objective of executing investment, financing and business services activities, among which are included: i) establishment of companies, acquisition, holding and administration of stock shares, investment in movable assets, participation in companies, and the increase of capital, in the national and international markets; ii) the execution of financial operations of any kind or nature, the issuing of stocks, bonds, titles or any other representative type of credit or debt in the capital and financial markets of Peru and abroad; and iii) the provision of business services in general, including those related to management, trading, leasing, cessation of use and the utilization of fixed and movable assets, including merchandise, the import and export of foreign and domestic products, and the transfer of articles in general. Without compromising the aforementioned principal objectives, the

company is able to underwrite any type of direct or third-party contract related with the acquisition or transfer of any kind of movable or fixed assets that leads to the achievement of the company's goals, or that in some form serves to improve the achievement of the company's goals, or that favors its corporate interests.

The modification of the company's articles of incorporation was agreed upon in the session of the Obligatory General Shareholders' Meeting on 30 March 2016. This agreement was formalized through the Public Registry on 27 May 2016.



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### Duration

The duration of the company is set for an undefined period.

### Evolution of Operations

#### > Historical Overview

Ferreycorp S.A.A. was founded in 1922 by Enrique Ferreyros Ayulo and three partners with the intention of commercializing consumer products. As years went by, the company adopted different names, the first one being Enrique Ferreyros y Cia. Sociedad en Comandita (with limited partnership). In 1942, it began to deal with capital goods activities, by undertaking the representation of Caterpillar Tractor, which implied a complete entrepreneurial change. As of then, the company consolidated its operations in two primary business divisions: that of consumer products and that of capital goods. In the same decade, with the goal of achieving greater coverage to sell its products, the company began to decentralize and establish offices in provinces and diverse affiliate companies.

In 1962, with the goal of sustaining its growth, the shareholders decided to go public on the Lima Stock Exchange, setting the foundation to create the publicly held share partnership that it is today, with 2,328 shareholders and the highest standards of Corporate Governance in Peru.

Towards the end of the 1980s, the company dissociated itself from the business of consumer goods and decided to concentrate its efforts towards that which today conforms its primary field of business: capital goods, for which the company undertook new representations to supplement the Caterpillar line. In this way, it was able to better serve its clients who operate in diverse productive sectors of the economy.

In the 1990s, the company decided to expand its offer to its clients beyond the sale of new units. It incorporated the provision of equipment for rental and the sale of used equipment. In this same decade the company began to cater to the needs of newly granted or privatized open-pit mining

projects, introducing the first off-road mining trucks of the Caterpillar line.

In 1994, the company expanded its participation in the capital market by means of issuing corporate bonds and commercial papers. It became an important participant in the capital market, where it has performed with much success and is increasingly demanded by investors.

From 1995 onward the company carried out important investments in order to improve the infrastructure of its offices and workshops, as well as to prepare its service personnel, creating training programs to fulfill maintenance and reparation contracts for the large fleets of mining trucks that it began to import for operation in open-pit mega mining, something made possible thanks to the concessions granted after the privatization of the mining sector in the 1990s. Likewise, after several years, the company decided to venture into the sale of underground mining equipment, a line of business expanded with the product portfolio of Caterpillar.



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With the goal of expanding sources of capital to maintain the sustained growth experienced in those years, in 1997 the company executed a successful stock offering in national and international markets, increasing its capital to USD 22 million.

In the period from 1998–2001, the company faced a sudden deceleration of the Peruvian economy, which was reflected negatively in its sales. In this period of national crisis, the company had to adapt its organization and at the same time accompany its clients with the provision of financial resources and facilities. The company was able to overcome such difficult moments and to return to a growth cycle in the years that followed.

In the next years, the corporation adopted an organic growth strategy, in order to increase its sales in the Peruvian market where it already operated, and of inorganic growth, through the acquisition of other companies, among them Mega Caucho (today Soltrak) in 2007, in the consumable industry. It is important to highlight that in 2010, as

part of this strategy and in response to an invitation from Caterpillar, the corporation began its internationalization process with the acquisition of Gentrac Corporation of Panama, owner of Caterpillar distributors in Guatemala, El Salvador and Belize.

Additionally, since 2011, Ferreycorp has become one of 15 companies in Latin America, and one of three in Peru, that are members part of the Companies Circle of the Latin American Roundtable, which recognizes companies for its highest standards of Corporate Governance, sponsored by the International Finance Corporation (IFC), the Organization for Economic Co-operation and Development (OECD) and the Global Corporate Governance Forum.

With the goal of clearly differentiating the roles, on one hand, of a parent company and investor, and on the other, of an operational company engaged in the distribution of capital goods (Caterpillar equipment, Kenworth and Iveco vehicles, among others), in 2012 the company underwent a

“simple reorganization” that gave birth to the Ferreycorp corporation. This operation aimed at sustaining a higher future growth in the business activities of all of its subsidiaries, and, at the same time, to maintain the specialization of certain activities. Additionally the subsidiaries Ferreyros and Motored were created; while the first undertook the Caterpillar business, the second assimilated the automotive division, which had previously been a business line of Ferreyros. From this moment onward, Ferreyros S.A.A., the subsidiary of primary operational volumes, incorporated new product lines and services, increased client coverage, focusing on large investment projects within the country, including mining, energy, petroleum and the creation of new infrastructure, and it expanded its client base, all of this supported by important investments in infrastructure, systems and personnel training.

Furthermore, the other subsidiaries of Ferreycorp experienced a slow growth that enabled them to reach, by the end of 2016,

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a 40% share of the corporation business, thus supplementing the offer Ferreyros S.A. makes available to its clients. At the same time, new businesses emerged in this period, either thanks to the acquisition of companies or to the creation of new subsidiaries.

To assure the healthy growth of the corporation and to continue with new investments based on a sound capital structure, in 2012 a capital increase of USD 62 million took place. The newly issued shares were largely underwritten by the shareholders of Ferreycorp, making evident that they trusted the business model and were committed with the growth strategy defined by the corporation.

In the same year, Ferreyros S.A., the principal subsidiary, incorporated a new line of machinery for the mining industry (the Bucyrus business line acquired by Caterpillar), of electric and hydraulic shovels and drills, that supplemented the Caterpillar portfolio. In this way, the company completed its portfolio of Caterpillar products, both in the areas of

open-pit mining and underground mining, making Ferreyros S.A the most complete machinery and equipment provider in this economic sector, and thus enhancing its value proposal for its clients.

In 2013, Ferreyros S.A. continued its expansion of different subsidiaries by means of acquisitions, like that of the distribution of Mobil lubricants businesses in Guatemala and Mercalsa in Nicaragua, as well as the business of personal protective equipment with significant distribution figures in Peru, of which the creation of Soluciones Sitech Peru, a technological solutions company, also formed part.

The expansion of the organization and the opportunities offered by international capital markets inspired the corporation to regrade its debt and maintain financial resources available for investment under the best possible conditions. Thus, in 2013, it performed a successful offering of corporate bonds worth USD 300 million, with favorable interest rate conditions and a seven-year term.

In 2014, Ferreycorp ventured into Chile with the acquisition of Trex, representative of the Terex brand in the area of cranes and hoisting platforms as well as a complete set of port equipment in Chile, and with crane rental services of smaller scope in Ecuador and Colombia.

In 2015 the corporation acquired Transportes Pesados S.A. (today Motored, equivalent to the Peruvian subsidiary of transport solutions), leader in the commercialization of replacement parts for heavy transport equipment in El Salvador; it has 35 years in the market and eight branches in the country. In this way, Ferreycorp supplemented its activity in El Salvador, where it has operated since 2010 with the subsidiary representative of Caterpillar, Mobil and partner brands.

In 2016, a lower dynamism in the economy of the countries where Ferreycorp operates diminished the demand for working capital. In this context, the Corporation decided to repurchase bonds, by means of a Tender Offer, that enabled the repurchase of USD

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120 million. The repurchased bonds were part of the offering of USD 300 million issued in 2013, with expiration in 2020.

### > Product Lines

The Ferreycorp corporation is the only distributor of Caterpillar in Peru, Guatemala, El Salvador and Belize. Caterpillar is a brand that it has represented in Peru since 1942, and includes a vast portfolio of machinery and equipment: mining trucks, front-end loaders, tractors, motor graders, excavators, electric and hydraulic shovels, drilling equipment, low-profile loaders for underground mining, marine motors and gensets, among others.

In addition to Caterpillar motors and machines, Ferreyros, the highest-volume subsidiary of the corporation, markets a wide range of products of other quality brands, including Terex cranes, Metso equipment for the production of construction aggregate, Astec asphalt plants, incorporated in 2014, as well as utility equipment, trucks and low-profile loaders of the Paus brand. Additionally, for agriculture, Massey Ferguson tractors, Zaccaria rice and grain processing equipment,

Kepler Weber drying and storing projects, grain selectors from Ideal Global Standard Provider, as well as agriculture tools, among other products.

Other subsidiaries of Ferreycorp provide other top level equipment in their respective sectors, such as Kenworth and DAF trucks, Iveco vehicles, Sullair compressors, Mitsubishi-CAT forklifts, Wacker compaction equipment, Lincoln Electric welding equipment, Olympian-CAT gensets, Amida illumination towers, Enerpac hydraulic tools, Carmix cement mixers, Compair stationary compressors, as well as Asian machinery lines such as SEM loaders, caterpillar tractors, graders and steamrollers, Shacman trucks, Lovol (previously Foton) farming tractors, among others. Moreover, they distribute Goodyear and Superhawk pneumatics, Mobil lubricants, industrial security items from 3M, Kimberly Clark, MSA, Capital Safety, Microgard, Ansell, Tecseg and Westland, and Bosch, Sata and Dewalt tools, among others.

Abroad, in Central America, the subsidiaries Gentrac (Guatemala and Belize) and General

de Equipos (El Salvador) represent the Caterpillar brand and have a complete portfolio of partner brands. Moreover, the companies of Ferreycorp are dealers of Mobil lubricants in Guatemala and El Salvador, as well as in Nicaragua, by means of the company Merclasa. In addition, in El Salvador and Honduras, the subsidiary Motored (previously known as Transportes Pesados S.A.) provides replacement parts of various brands, both for bus and truck motors and chassis. Jointly, in Chile Trex represents the Terex brand in cranes and hoisting platforms, as well as a complete series of port equipment. In Ecuador, the light equipment portfolio of Maquicentro includes farming tractors, construction equipment, cement trucks, loaders and welding equipment, among others of brands such as Valtra, Wacker Neuson, Carmix and Lincoln Electric.

With the goal of serving those clients who require the leasing of equipment instead of purchasing it, Ferreyros, Unimaq—The Cat Rental Store and the subsidiaries of Ferreycorp in Central America have an important fleet of Caterpillar machines

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available to fulfill these demands, especially for infrastructure and general construction projects. In Chile, the rental fleet includes Terex cranes of less-than-100 ton capacity and the complete line of the Genie brand lifting equipment (Terex).

### > Competition

The array of product lines distributed by Ferreycorp companies is so broad that they compete in a segmented way with a large number of suppliers that import and distribute different brands. However, due to the preference of its customers, the corporation's main representative, Caterpillar, has a leading market share; besides, the range of partner brands is prominently positioned in its business sector.

Regarding the competition of the leading brands represented by Ferreycorp, Caterpillar brand has Komatsu as main competition in ancillary machinery and off-road trucks for large mining projects. As for low-profile loaders for underground mining, Caterpillar competes with Atlas Copco, Sandvik and Joy.

In electric and hydraulic mining shovels, its competitors are P & H and Hitachi.

In earthworks machinery, Caterpillar construction equipment competes with John Deere, Komatsu, Volvo, Doosan, among other competing brands. In addition, as of 2008, some lots of Chinese earthworks machinery have entered the country, to be used by the heavy construction industry.

At the same time, Ferreyros markets Astec asphalt plants, whose main competitors are Amman, Bomag Marini and Lintec Ixon brands.

Meanwhile, Cresko's business distributes machinery of Asian origin to compete in the same segment. It supplies Shacman heavy and light commercial trucks, that compete with FAW, DongFeng, Foton and Sinotruck, among others; in the line of loaders, motor-graders, rollers and tractors, SEM's rivals are brands such as SDLG, XCMG, Luigon and others.

In the engines line, Ferreyros distributes Caterpillar, and competes in the diesel segment with Volvo Penta, Cummins, Modasa and Gamma brands; in the heavy fuel oil segment; with Wartsila and Man brands; and in the gas combustion segment with Wartsila and Waukoshia.

In surface mining blast-hole drills, it distributes Caterpillar (this line was previously known as Hucyrus) and competes with Sandvik, Atlas Copco and P & H. In the area of cranes with various characteristics and capacities, Ferreyros Trex, and competes with Grove and Iveco. In the farming line, it distributes Massey Ferguson and Landini, and competes with John Deere and Ford New Holland.

In trucks, both in the dump truck and tractor market, the subsidiary Motored participates with its brands Kenworth, Iveco, and DAF, and competes with Volvo, Mack International, Scania, Mercedes Benz, Freightliner, Hino, Isuzu and Volkswagen, as well as with the Chinese brands FAW, Foton, Sinotruck and Dongfeng.

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In Central America, the main competitors in the machinery field are Hyundai, Case, John Deere, New Holland and Komatsu; in engines, Cummins, FG Wilson and Perkins, among others; and in lubricants, Castrol, Chevron and Shell. In Chile, Manitowoc (Grove) and Liebherr cranes, Kalmar port equipment, JLG lifting equipment and Manitou manipulators are among the competitors of Trex, a subsidiary incorporated to Ferreycorp in 2014.

In the spare parts lines of the various commercialized brands, the corporation faces the competition from companies that market non-genuine spare parts in small market segments.

In the case of Soltrak, the tires marketed by Good Year compete with brands such as Bridgestone, Michelin and Chinese brands. In lubricants, in which this subsidiary is one of Mobil's representatives, it competes with Shell and Castrol, among others. For personal protective equipment, the competition lies with Miller, North, Honeywell, MSA brands among others.

On the other hand, the Fiansa company, in the business lines of manufacturing heavy, semi-heavy and boiler structures, metal-mechanic and electro-mechanical assembly and electrical installations, has Tecnicas Metalicas, Esmetal, Haug, Fima and Imecom as competitors.

In energy, sales and supply, Ferrenergy competes with Agrekko, APR and Power Solution.

Fargoline develops its operations competing with other brands of national and foreign business groups that develop as customs warehouses and extra port terminals, such as Tramarsa and Ransa (Romero group), Neptunia (Andino group), Imupesa (Agunsa group of Chile), APM Terminals (Danish group A.P. Moller Maersk) and Dubai Ports World (holding company of the State of Dubai in the United Arab Emirates), Contrans (Transmeridian group), among others.

In services supply as freight forwarder, Forbis Logistics Corp. competes with Alexim, La Hanseatica, Gamma Cargo, New Transport, DHL, MIQ and Flota.

Soluciones Sitech Peru, Trimble's representative for positioning solutions and machinery guidance systems market, has among its main competitors Topcon companies, owned by Komatsu, and Leica, originating in Central Europe.

### » Investments, Plans and policies

#### **Investments in New Businesses**

The corporation's strategy is to invest in new businesses to continue increasing its sales figures by means of a profitable and sustained growth, in order to complete the value offer to its clients, supplying them high quality products and world-class services, focused in the capital goods segment.

Investments in new businesses, whether through acquisitions, creation of new companies or incorporation of product lines to complete their value offer to customers, is one of the basic pillars

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for the corporation' growth. Investment decisions are developed in accordance with established corporate principles, and Ferreycorp is responsible for evaluating, approving and allocating resources in an efficient way, according to the strategic objectives and striking a balance between profitability and risk of each project. Part of its corporate role is to give guidelines and set up the criteria for investment or divestment decisions. Likewise, the corporation must guarantee that the new project has the human and managerial capital resources needed to operate.

### Investments in Assets

#### 1. Investment in Fixed Assets

As distributors of capital goods and related services, Ferreycorp's subsidiaries must receive investments in infrastructure such as workshops, equipment and warehouses, in order to meet the value proposal for their clients and maintain the competitive advantage that has allowed them to

maintain leadership in the operating markets. In recent years, in order to increase its capacity to operate efficiently, the corporation has invested significant resources in systems, technology and innovation.

For further information, please refer to the [Financial Management chapter](#).

Among the fixed operational assets, the rental fleet stands out, consisting of about 301 units in Ferreyros; 975 units in Unimaq (381 of them of Caterpillar, and 594 of partner brands); 333 equipment in Gentrac Guatemala; and 31 cranes in Trex. The rental fleet can be considered as semi-inventory, that remains as assets for a period that averages three years and, is then sold at its residual value, thus being constantly updated.

Finally, fixed assets also include major components of the large open-pit mining

machinery, which provides world-class service for repairing mining trucks.

#### 2. Investment in Inventories

During 2016, and in response to the slowdown of activities of several companies of the corporation, it was possible to reduce the consolidated inventory levels.

For further information, please refer to the [Financial Management section](#).

#### 3. Investment in Accounts Payable

In order to reduce the consolidated risk of the corporation by credit transactions of its subsidiaries, which are not its core business, as well as to improve assets turnover rate, Ferreycorp adopted some years ago the policy of limited credit to customers of its subsidiaries, due to the promotion and facilitation of third-party credit lines. Thus, there are other competitive options, especially Caterpillar Financial, as main funding sources for clients, both in Ferreyros and in other dealers in Peru and Central America, as well

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as in other companies that sell capital goods. In addition, bank credit is available with good conditions, both in term length as well as interest rates.

For further information, please refer to the [Financial Management section](#).

### **Guarantees, Guarantors, Back-to-Back Guarantees, Contingencies and Commitments**

As of 31 December 2016, the corporation has the following commitments:

### **Ferreycorp S.A.A.**

In regards to the Board of Directors' agreement of September 2016, to endorse financing transactions and back-to-back guarantees related to the business of the subsidiaries, for an overall amount of USD 160'000,000, we present the amounts used by 31 December 2016:



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- > These guarantees ensure the credit transactions of subsidiaries and affiliates and third party purchase operations, respectively, with various maturities dates. As of 31 December 2016, the Company has guarantors for USD 94,152,000 (USD 81,374,741 in 2015) that guarantee credit operations of subsidiaries and associates and USD 650,641 (USD 1,005,253 in 2015) that guarantee third-party purchase transactions, with different maturity dates.

SUBSIDIARY	INDIVIDUAL GUARANTEE APPROVED	USED AS OF DECEMBER 31	BALANCE AVAILABLE AS OF DECEMBER 31
Unimaq	1,500,000	0	1,500,000
Orvisa	1,000,000	0	1,000,000
Soltrak	22,000,000	13,056,976	8,943,024
Fiansa	6,000,000	5,444,119	555,881
Cresko/Motriza	6,000,000	2,000,000	4,000,000
Fargoline	9,000,000	4,288,536	4,711,464
Inti y subsidiarias	30,000,000	3,900,000	26,100,000
Forbis Logistics Corp.	1,500,000	0	1,500,000
Motored	38,000,000	21,728,571	16,271,429
Trex (Chile, Ecuador and Colombia)	44,000,000	31,667,718	12,332,282
Sitech Perú	1,000,000	200,000	800,000
Inmobiliaria CDR	0	1,865,695	-1,865,695
<b>Total</b>	<b>160,000,000</b>	<b>84,151,616</b>	<b>75,848,384</b>

### Specific lines

SUBSIDIARY	FINANCIAL INSTITUTION	PURPOSE	PROMISSORY NOTE	USED AS OF DECEMBER 31
Gentrac (Guatemala and Belize), Cogesa, Mercalsa o Inti		Guarantee Line for Mobil	10,000,000	10,000,000
<b>Total</b>			<b>10,000,000</b>	<b>10,000,000</b>



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### Subsidiaries

#### Ferreyros S.A.

- > Guarantors for USD 39,490,860 (USD 38,600,000 in 2015) that guarantee third party purchase transactions.
- > Bank bonds in favor of financial institutions for USD 20,710,376 (USD 24,000,000 in 2015), which mainly guarantee the reliability of the company's offer and the faithful fulfillment of the delivery of the products sold through public tenders and payment of customs duties related to the import of merchandise.

#### Fargoline S.A.

- > The subsidiary has contracted a surety bond in favor of Superintendencia Nacional de Aduanas (National Customs Superintendency) for goods under customs procedures for USD 2,600,000 (USD 1,200,000 in 2015).

#### Cresko S.A.

- > The subsidiary has bond guarantees in favor of the Ministry of Housing, Construction and Sanitation for PEN 34,920,000 and E.P.S. Juliaca Headquarters for PEN 35,980,000 that mainly

guarantee the reliability of the offer of Cresko S.A. and reliable fulfillment of delivery of products sold through public tenders.

#### Soltrak S.A.

- > Guarantees of USD 7,291,574 and PEN 58,491,409 (USD 475,553 and PEN 49,245,391 in 2015), which guarantee third-party purchase and financial lease transactions, respectively, with different maturities terms.
- > Bank guarantees in favor of financial institutions for USD 3,851,170 and PEN 2,233,519 (USD 2,565,000 and PEN 2,152,965 in 2015), which mainly guarantee the reliability of the company's offer and the faithful fulfillment of the delivery of the products sold through public tenders, as well as the payment of customs duties related to the import of merchandise, respectively.

#### Motored S.A.

- > Guarantors for USD 13,070,185 (USD 17,237,958 in 2015) that guarantee credit operations for third party purchases.
- > Bank guarantees in favor of third parties for USD 83,700 and PEN 16,142 (PEN 2,516,065 in 2015),

which mainly guarantee the reliability of the offer and the reliable fulfillment of the delivery of the products sold through public tenders.

#### Orvisa S.A.

- > Guarantors of USD 5,500,000 (USD 3,500,000 in 2015) guaranteeing credit operations of subsidiaries and affiliates and third parties purchase transactions.

### Tax Position

- (a) The Corporation is subject to the tax system of the country where it operates and pays taxes separately based on its non-consolidated results. As of 31 December 2015 and 31 December 2016, the income tax rate on taxable income in the main countries in which the group work is 28% (Peru and Nicaragua), 20% (Chile), 25% (El Salvador and Belize) and 31% (Guatemala).

In accordance with the legal provisions in force in some countries as of 31 December 2015 and 31 December 2016, cash dividends in favor of non-resident shareholders are taxed with income tax. The rate for Peru is 6.8%,

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while in El Salvador the rate is 5%, in Chile 35%, in Ecuador from 1% to 10% and in the other Central American countries these operations are exempt of the above mentioned tax.

- (b) There are prices and transfer rules in force in Peru, Nicaragua, Guatemala, El Salvador, Belize, Chile, Colombia and Ecuador that establish that transactions with local or foreign related companies must be carried out at market values.

The tax authorities have the right to request such information. Based on the analysis of the corporation's operations, Management and its legal advisers consider that, as a result of the application of the above mentioned rules, there will be no major contingencies for Ferreycorp or its subsidiaries from 31 December 2015 to 31 December 2016.

- (a) The Tax Authority of each country has the power to inspect and, if applicable, correct the tax on the corresponding profits calculated

for each company of the group in the years following the year of the submission of the tax revenue.

In the case of Ferreycorp S.A.A. (Formerly Ferreyros S.A.A.), the tax returns of income tax and general sales tax between 2013 and 2016 are pending inspection by the Tax Authority in Peru.

Likewise, sworn declarations of income tax returns and the general sales tax returns of the main subsidiaries are subject to inspection by the Tax Administration of each country for the periods detailed below:

Since the tax authority could give different interpretations to the current law, at present it is not possible to define whether or not the group will end up having liabilities, since any tax coming out from eventual tax reviews would be applied to the results of operations of the fiscal year when those

COUNTRY	PERIOD
Guatemala	2013 to 2016
El Salvador	2006 to 2016
Belize	2009 to 2016
Nicaragua	2010 to 2016
United States of America, Chile, Colombia and Ecuador	2011 to 2016
<b>LOCAL SUBSIDIARIES-</b>	
Ferreyros S.A.	2013 to 2016
Unimaq S.A.	2012 to 2016
Cresko S.A.	2012 to 2016
Fiansa S.A.	2012 to 2016
Soltrak S.A.	2013 to 2016
Fargoline S.A.	2012 to 2016
Orvisa S.A. and subsidiaries	2012 to 2016
Motored S.A.	2012 to 2016
Inmobiliaria CDRS.A.	2013 to 2016
Forbis Logistic S.A.	2012 to 2016
Soluciones Sitech Perú S.A.	2013 to 2016

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taxes are to be applied. Nevertheless, in the opinion of corporation management, any eventual additional tax settlement would not be significant for the consolidated financial statements for 31 December 2015 and 31 December 2016.

### Contingencies

As of 31 December 2016, the Group maintains tax appeals or administrative litigation lawsuits for a total amount of approximately PEN 111,227,000 (including fines of PEN 13,901,000 and interest of PEN 75,051,000). The administrative or judicial resolution of these processes is still pending and is related to observations made by the Tax Administration to sworn statements of: (i) income tax (including payments in advance) of taxable years 2001 to 2008 for PEN 8,668,000; (ii) general sales tax of taxable years 2001 to 2006 for PEN 3,071,000; and (iii) non-resident income tax for taxable years 2002, 2003, 2005, 2006 and 2015 for PEN 5,708,000.

In all cases, as of 31 December 2016, the Group has requested the advice of tax specialists, who have determined, together with the Management, that there are some remarks related to approximately PEN 18,747,000 (PEN 8,940,000 as of 31 December 2015), with a probable degree of loss. The Group recorded a provision for these amounts, which is presented under "Other Accounts Payable" item in the consolidated financial position statement (see note 14).

The Management together with its legal and tax advisers, believe that the Group has technical and legal grounds to foresee that the decision of the Tax Court in Peru would be favorable to the Group; in this sense, they estimate that future resolutions of said processes will not be important liabilities, and, consequently, it is not necessary to register additional liabilities for same to 31 December 2016 and of 2015.

### Judicial, Administrative or Arbitration Proceedings

Ferreycorp S.A.A. and its subsidiaries are part of certain legal proceedings that arose in the normal course of their activities, most of which, neither individually nor collectively, can be considered significant. It should be noted, however, that at the end of the year, the companies of the corporation together hold, by a claim process, 13 trials of compensation for damages and others, for approximately PEN 5.5 million. The General Management, based on the opinion of its legal advisers, considers that these are unfounded claims and that the result will be favorable to the companies of the group.

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### Management of the Corporation

#### The Board

The Board's policies, as well as its makeup and its committees, are explained on page 36.  
The following is a list of the professional profiles of Ferreycorp's directors.



#### ÓSCAR ESPINOSA BEDOYA

(Chairman)

Executive President of Ferreycorp S.A.A. since 2008 and president of the Board of Ferreyros S.A. and of the other subsidiaries of the corporation. He had been Managing Director since 1983, having joined the company in 1981. Previously, he held senior management and management positions at Corporacion Financiera de Desarrollo (Cofide), World Bank, Banco Internacional del Peru and other financial entities. He is currently director of Scotiabank, Profuturo AFP and La

Positiva Seguros Generales y Vida. He is also member of the boards of directors of Sociedad de Comercio Exterior del Peru (Comex Peru), Instituto Peruano de Economia (IPE), Comision Fulbright del Peru and ONG CARE Peru. He is member of the Board of Directors of UTEC University, Asociacion Pro Universidad del Pacifico and Patronato de la Universidad Antonio Ruiz de Montoya. He received the IPAE Award in 1999. A Civil Engineer from Universidad Nacional

de Ingenieria, he completed Engineering, Economics and Business Administration postgraduate studies with different degrees and diplomas from Harvard University, North Carolina State College, ISVE Italy, Kellogg School of the Northwestern University, the School of Economics of the University of Colorado and PAD of Universidad de Piura.

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### **CARLOS FERREYROS ASPÍLLAGA** (Vice-president)

Member of the Board of Directors of Ferreycorp S.A.A. since 1971 and vice-president since 2008. He was Chairman of the Board from 1993 until 2008. In Ferreyros S.A. he has held the same position in the Board of Directors of Ferreycorp S.A.A. since 2012. He is director of La Positiva Seguros y Reaseguros, as well as member of the Group of 50 (Carnegie Endowment for International Peace & Inter-American Dialogue). A business administrator, graduated from Princeton University.



### **RICARDO BRICEÑO VILLENA**

Member of the Board of Directors of Ferreycorp S.A.A. since 2011 and of the Board of Directors of Ferreyros S.A. since 2012. He is the former president of Sociedad Nacional de Minería, Petróleo y Energía (National Society of Mining, Oil and Energy) and of Confiep, National Confederation of Private Business Associations. Currently he is Chairman of the Board of the agro-exporting company Agrícola Don Ricardo; Director of Interbank and Engie; and member of the advisory Council of Toyota del Perú. He is Vice-president of the Asociación Empresarios por la Educación (EXE). For over 20 years, he held the positions of general manager and CEO of all Glencore Group companies in Peru. He was recognized with the IPAE Award in 2010. He is an industrial engineer graduated from Universidad Nacional de Ingeniería, Lima, with a BA in Economics and Development at Leuven University, Belgium, and holds a Master's degree in Public Finance and Planning from Antwerp University, Belgium.

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### MANUEL BUSTAMANTE OLIVARES

Member of the Board of Directors of Ferreycorp S.A. since 2011 and the Board of Directors of Ferreyros S.A. since 2012. He has served as Chairman of the Board of Directors of Buslett S.A. (since 2013); Director of La Positiva Sanitas (2012-2015); President of the board of Fundacion Chilca S.A. (since 2010); Director of Mastercol S.A. (since 2008); Vice-president of the Board of La Positiva Vida Seguros y Reaseguros (since 2005); Director of Corporacion Financiera de Inversiones S.A. (since 2005); Director of Transacciones Financieras S.A. (since 2000); Director of Dispercol S.A. (since 1998); Director of Sociedad Andina de Inversiones en Electricidad S.A. (1996); Vice-president of La Positiva Seguros y Reaseguros (since 1975); Founding member and partner of Estudio Llona &

Bustamante Abogados (since 1963); and president of Fundacion Manuel J. Bustamante de la Fuente (since 1960). He has been director of Futuro Invest S.A. and Futuro Inmobiliario Camacho S.A. (since 1994); president of Profuturo AFP (1993-1999) and a member of its Executive Committee (1993-2010); First vice-president of Banco Interandino (1991-1995); President of Banco de la Nacion and member of the Committee for the Peruvian foreign debt (1980-1983); and member of the Board of Directors of Corporacion Financiera de Desarrollo (Development Finance Corporation) - COFIDE (1980-1983); foreign trainer member of Shearman & Sterling in New York (1962-1963). An attorney graduated from the School of Law at Pontificia Universidad Catolica del Peru.

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### ALDO DEFILIPPI TRAVERSO

Member of the Board of Directors of Ferreycorp S.A.A. since 2005 and of the Board of Directors of Ferreyros S.A. since 2012. He is executive director of AmCham Peru, president of Asociacion de Camaras de Comercio Binacionales del Peru and former president of Fundacion del Cancer. He is director of Amrop Peru, United Way, Peru 2021, Fondo Nesst, Business Alliance for Secure Commerce (BASC) in Peru, and Asociacion de Camaras de Comercio Americanas de America Latina (AACCLA) in Washington. He is a member of Comité Consultivo de IPAE, Centrum Catolica and Universidad Peruana de Ciencias Aplicadas. He has been director of several public and private companies, among which are Aeropuertos del Peru (ADP), Banco Interamericano de Finanzas (BanBif), Edelnor, Relapasa, Banco de Comercio, Clinica San Felipe, among others. He has been financial manager of Ferreyros; general manager of Industrial, Comercio

and Banex banks in Peru; executive director of Bladex in Panama; investment banking manager at Corporacion Inter-Americana de Inversiones (CII) in Washington; head of the Economic Studies Division of INTAL (Banco Interamericano de Desarrollo) in Argentina; and an economist at the World Bank in Washington. He has been president of Comision Nacional de Inversiones y Tecnologias Extranjeras (Conite) and manager of ProInversion. He has taught at the universities of Pacifico, Lima and Pontificia Universidad Catolica del Peru. He has a Bachelor's in Economics from Universidad del Pacifico, attended the Chief Executive Officers' Program at Kellogg's School of Management at Northwestern University in Chicago, and the program of Independent Directors of EY and Universidad del Pacifico. He is candidate for the Doctorate in Economics and Magister from Boston University



### CARMEN ROSA GRAHAM AYLLÓN

Member of the Board of Directors of Ferreycorp S.A.A. since 2011 and of the Board of Directors of Ferreyros S.A. since 2012. She has been member of the board of Banco Internacional del Peru (since 2006), Entel Peru (since 2013), Union de Cervecerias Peruanas Backus y Johnston (since 2014) and Camposol (since 2014), as well as of the Board of Directors of Empresarios por la Educacion (since 2007), of Asociacion para el Progreso de la Direccion (since 2014) and president of Women Corporate Directors WCD Peru (since 2009). She is an international consultant in management and corporate governance. She was Chancellor of Universidad del Pacifico (2007-2009), general manager of IBM Colombia (1999-2001) and general manager of IBM Peru and IBM Bolivia (2001-2003). She has been member of business and trade boards in Peru and Colombia. Graduated in Business Administration from Universidad del Pacifico. IBM Systems Engineer. She holds an MBA from Adolfo Ibañez School of Management of Florida. She has participated in several executive development programs at IBM Corporation, Georgetown University, Harvard Business School, Universidad de Monterrey and Universidad de Piura, among others.

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### EDUARDO MONTERO ARAMBURÚ

Member of the Board of Directors of Ferreycorp S.A.A. since 1980 and vice-president from 1993 to 2008. He had been a member of the Board of Directors of Ferreyros S.A. since 2012. Currently, he is also president of Indus and director of Agrícola BPM. Previously, he worked as director at Banco Central de Reserva and as CEO at Industrias Pacocha. He holds a Bachelor's degree in Economics from Lehigh University and a Master's degree in Business Administration from Wharton School of the University of Pennsylvania.



### RAÚL ORTIZ DE ZEVALLOS FERRAND

Member of the Board of Directors of Ferreycorp S.A.A. since 2011 and member of the Board of Directors of Ferreyros S.A. since 2012. Currently, he is partner at Ortiz de Zevallos Abogados. He is also Chairman of the Board of Directors of Consorcio La Parcela and Director of Licsa, Almacenera Grau, Agrícola Comercial & Industrial (Acisa), Inversiones Quinta Heeren y Barrialto. He is member of the Board of Directors of Comité Textil de la Sociedad Nacional de Industrias, Board of Directors of Asociación Cultural Peruano Británica and adviser to the Board of Directors of Sindicato Minero de Orcopampa, a company where he served as director between 1999 and 2009. He has been Vice Minister of Tourism and Trade and director of companies such as Inversiones Cofide, Fertilizantes Sintéticos, Prolansa (Grupo Armco) and Cervecería del Norte (Grupo Backus). He was president of Club Nacional between 2002 and 2004. He is a lawyer from Pontificia Universidad Católica del Perú, where he has also served as a faculty member.



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### JUAN MANUEL PEÑA ROCA

Member of the Board of Directors of Ferreycorp S.A.A. since 1984 and the Board of Directors of Ferreyros S.A. since 2012. Currently, he is president of La Positiva Seguros y Reaseguros and La Positiva Vida, Seguros y Reaseguros; President of the Board of Alianza Compañía de Seguros y Reaseguros (Bolivia) and director of Alianza Vida Compañía de Seguros (Bolivia). President of the Board of Martinizing del Peru and director of G Money. Previously he worked as general manager of Bland Welch (Brazil), where he was in charge of the Latin American and Caribbean area. He was also president of Federacion Interamericana de Empresas de Seguros (Fides), between 2003 and 2005. President of Asociacion Peruana de Empresas de Seguros (Apeseg) from 2002-2004 and Vice-president from 2012-2014. He held the position of director and member of the Executive Committee of Profuturo AFP between 1993 and 2008. He held the position of alternate director of Confiep for the 2012-2014 period. He holds a degree in Civil Engineering from Universidad Nacional de Ingenieria.



### ANDREAS VON WEDEMEYER KNIGGE

Member of the Board of Directors of Ferreycorp S.A.A. since 2003 and the Board of Directors of Ferreyros S.A. since 2012. Currently, he is also CEO and general manager of Corporacion Cervesur, as well as Chairman of the Board of Directors of the various companies that make up that group (Creditex, Alprosa, Transaltisa and Proagro, among others). Chairman of the Board of Euromotors; Altos Andes; Euro Camiones; Euroinmuebles and Renting. Director of Corporacion Aceros Arequipa; Corporacion Financiera de Inversiones; La Positiva Seguros y Reaseguros, La Positiva Vida Seguros y Reaseguros; and Transportes Barcino, among others. President of Sociedad Nacional de Industrias and director of Comex Peru, where he is also member of the Executive Committee. He has been director and general manager of Cia. Cervecera del Sur del Peru, as well as Chairman of the Board of Profuturo AFP, president of Asociacion de AFP and member of the Board of Directors of Tecsup. Business administrator, graduated in Hamburg, Germany, with studies in the Program for Management Development, Harvard Business School and Universidad de Piura.

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### MANAGEMENT TEAM

While page 76 contains the managerial plan of the corporation and its subsidiary companies, this section includes the professional careers of the top executives of Ferreycorp S.A.A.



#### MARIELA GARCÍA FIGARI DE FABBRI

##### General Manager

General Manager of Ferreycorp S.A.A. corporation (the latter formerly integrated to Ferreyros general management) since 2008. In January 2016, she left the general management of Ferreyros, retaining the general management of the corporation. She is responsible for the strategic direction and supervision of all subsidiaries of the corporation in Peru and abroad. She has 29 years of experience in the corporation, having joined Ferreyros in 1988 and held various positions in the Finance Division, including Finance Manager, from 2001 to 2005. Thereafter, she worked as Deputy General Manager of the company between January 2005 and March 2008. Director of all the companies of the corporation

in Peru and abroad. She is a member of a number of Caterpillar advisory councils that involve some dealers. She has been a member of the Board of Directors of Peru 2021 since 2011, and of Camara de Comercio Americana (Amcham Peru) since 2007. President of Circulo de Compañías de la Mesa Redonda Latinoamericana de Gobierno Corporativo (Companies Circle of the Latin American Corporate Governance Roundtable), for the period 2010-2013, which brings together 15 Latin American companies that stand out for their good corporate governance practices. Member of the advisory councils of some faculties of Universidad del Pacifico and Universidad de Ingenieria y Tecnologia

(UTECH). Member of the Board of Procapitales and president of its Corporate Governance Committee until the end of 2006, as well as director of IPAE, between 2002 and 2004; Cosapi, between 2007 and 2009; and the National Mining, Oil and Energy Society (Sociedad Nacional de Minería, Petróleo y Energía), between 2011 and 2013. Previously, she worked as a researcher and member of the editorial committee of Consorcio La Moneda's publications. She holds a degree in Economics from Universidad del Pacifico and has an MBA from Universidad Adolfo Ibañez de Chile and from Incae of Costa Rica, where she was recognized as a Distinguished Graduated in 2016.

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### **LUIS BRACAMONTE LOAYZA**

#### **Corporate Business Manager**

Corporate Business Manager since 2016. Between 2014 and 2015, he worked as Investment Manager at Ferreycorp. He joined the company in 1979 and has assumed various important positions, such as the Credits and Collections deputy manager. In 1996, he assumed the Branch Division Management, and afterwards, the Agricultural Management and Automotive Division, as well as the management and General Management of Orvisa, among other positions. From 2012 to 2013, he worked as Central Manager of Subsidiaries. Director and Vice-president of Camara de Comercio de Lima in different periods and, he is currently director of Asociacion Automotriz del Peru. Responsible director of the subsidiaries Soltrak, Fargoline, Forbis Logistics, Fiansa and Soluciones Sitech Peru. Member of the Board of Motriza and Motored in Peru. He studied at Universidad de Lima and obtained specialization diplomas at ESAN and the Incae High Management Program (PAG) in Costa Rica. He holds a Master's Degree in Marketing and Commercial Management from EOI business school of Spain.



### **OSCAR RUBIO RODRÍGUEZ**

#### **Corporate Business Manager**

Corporate Business Manager of Ferreycorp since 2016. He worked as general manager of Unimaq S.A. between 2007 and 2015. He joined the company in 1975 and has held managerial positions since 1983, including that of general deputy manager of Orvisa from 1989 to 1991. Responsible director of Motored in Peru, Motriza, Trex SpA and Maquicentro, as well as Member of the Board of Unimaq and Orvisa. An economist graduated from the Faculty of Economics of the Universidad Nacional Mayor de San Marcos, he has held courses in Peru and abroad. He has participated in the Senior Management program of Universidad de Piura and has obtained specialization diplomas in ESAN, IPAE and Universidad La Salle of Argentina.



### **ANDRÉS GAGLIARDI WAKEHAM**

#### **Corporate Manager of Human Resources**

Corporate Human Resources Manager of Ferreycorp from 2014 until December 2016, when he retired from the corporation after 36 years of service, for which the corporation greatly appreciated his contribution. He was Human Resources Central Manager of Ferreyros from 1986 to 2015. Between 1973 and 1980, he held the Sub-Management and Industrial Relations Management of Laboratorios Efesa, when it was a subsidiary company of Ferreyros S.A.A. He has held similar positions in other prestigious companies. He holds a degree in Industrial Relations from Universidad San Martín de Porres and has attended various courses and programs of his area of expertise.

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### ALBERTO GARCÍA ORAMS

Corporate Manager of ICT, Processes and Innovation

Technology, Processes and Innovation Corporate Manager of Ferreycorp since 2015. He has been partner of 360 Consulting, a consultancy company in business management and information technology. He has worked as associate partner at IBM; Corporate Systems Manager of Grupo Gloria; Managing Director of Metrica; and Information Manager at Mauricio Hochschild & Cia. He holds a Bachelor's degree in Science and Industrial Engineering from Pontificia Universidad Católica del Perú and a Master's degree in Business Management from Universidad de Piura (Senior Management Program).



### PATRICIA GASTELUMENDI LUKIS

Corporate Finance Manager

Corporate Finance Manager of Ferreycorp since 2014 and Finance Administration central manager of Ferreyros between 2012 and 2015. She joined the company in 1987. Subsequently she assumed different roles in the Credit and Collection area, serving as the Credit Manager from 1998 to 2005. Currently, she is a member of the Board of Directors of all subsidiaries of Ferreycorp, except Ferreyros. She has been a member of IPAE Board of Directors for the periods 2007-2009 and 2012-2015, and currently she is a member of its Institutional and Integrity Committee. She has been a member of the Board of Procapitales between 2006 and 2014 and, presently she is a member of its Corporate Governance Committee. She was President of the Organizing Committee of CADE Universitaria in 2010. She has been a representative of Ferreycorp

since 2006 and member of Steering Committee of Companies Circle of the Latin American Corporate Governance Round-table, composed of Latin American companies leading the implementation of good corporate governance practices. She holds a degree in Business Administration from Universidad de Lima and an MBA from Universidad Adolfo Ibañez and Incae. In 2007, she participated in the Caterpillar Leading for Growth and Profitability program, at the Kenan-Flagler Business School of the University of North Carolina. In 2009, she participated in the Global Economics Administration program taught at the Harvard Extension School Faculty and, in 2012, in the Yale School of Management's Corporate Governance program.

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### RODOLFO PAREDES LEÓN

Corporate Development Manager

Corporate Development Manager of Ferreycorp since 2014 and Development and Investment manager of Ferreyros since September 2007. He has more than 20 years of professional experience, including project management in multiple industries, including aerospace, technology, logistics, pharmaceutical, industrial, construction machinery and mining sectors, among others. He has worked in several companies such as Oficina de Normalizacion Previsional (Pension Administration Office) ONP, Farindustria and IBM in Peru, and Honeywell International Inc. in the United States. Currently, he is director of Fiansa, Soltrak, Fargoline and Forbis Logistics. He graduated as industrial engineer from Universidad de Lima and holds a master's degree in business (MBA) from the University of Notre Dame (United States). He has participated in multiple courses of specialization in Peru and abroad, such as the program for value creation through strategic alliances and acquisitions of Kellogg School of Management of Northwestern University (United States).



### EDUARDO RAMÍREZ DEL VILLAR LÓPEZ DE ROMAÑA

Corporate Manager of Corporate Affairs

Corporate Manager of Corporate Affairs of Ferreycorp since 2014, in charge of legal and compliance issues. Previously, he was manager of Corporate Affairs Division of Ferreyros since 2010. He joined the company in 1999, working as legal manager. He was in charge of the legal area of the Vice Presidency of Finance of Corporacion Andina de Fomento (CAF) at its headquarters in Caracas, Venezuela, acting as legal consul for liability transactions of this international organization, and beforehand served as an attorney of the Legal Consultancy, supporting financing operations for the public and private sector of Peru and the structuring of large-scale projects at the regional level. Previously, he worked as legal manager of Cosapi Organizacion Empresarial, linked to



legal advice on issues related to the construction business. Member of the Legal Affairs Committee of Camara de Comercio Americana del Peru (Amcham Peru). He has completed several courses of specialization both in Peru and abroad. In 2007, carried out the Caterpillar Leading for Growth and Profitability program, conducted at the Kenan-Flagler Business School of University of North Carolina. He is a lawyer from Pontificia Universidad Catolica del Peru, with a Master's degree (Master in Law) at George Washington University (Fulbright fellow).

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### JOSÉ MIGUEL SALAZAR ROMERO

Corporate Manager of Communications and Image

Image and Communication Corporate Manager of Ferreycorp since 2015. Previously, he had worked as Central Marketing Manager of Ferreyros since 2007; as Central Manager of Customer Relations and Commercial Development, since 2004; and as Mining Division Manager since 2001. Between 1996 and 2000, he worked as general manager of Matreq Ferreyros, Caterpillar's exclusive distributor in Bolivia and a subsidiary of Ferreyros S.A.A. Between 1990 and 1995, he held various corporate positions outside the corporation. Until 1990, he held various positions in the

Human Resources, Sales and Administration areas, including Finance Division Management in 1988, having joined Ferreyros in 1969. He has participated in courses in the country and seminars organized by Caterpillar, including Caterpillar Leading for Growth and Profitability program, taught at the Kenan-Flagler Business School of the University of North Carolina. He holds a diploma in Strategic Management for Tourism Companies, issued by Universidad del Pacífico.



### TITO OTERO LINARES

Corporate Manager of Internal Auditing

Corporate Audit Manager of Ferreycorp since January 2016. He had been Computer and Processes manager of Ferreyros, since joining the company in February 2000, until 2015. From 2003 to 2010 was also in charge of Six Sigma program, which oversaw the development and implementation of more than one hundred processes improvement projects in various areas of the company. He has more than 35 years of experience in systems, operations and internal control management. He served as Operations Manager at two AFPs and a bank, in addition to occupying various positions in IBM del Peru related to controls and audit systems. He was an auditor at Price Waterhouse and he is a certified public accountant graduated from Universidad de Lima. He has participated in various specialization courses in Peru and abroad and has been a part-time professor at ESAN.

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### Professional career paths of Ferreyros executives



#### **GONZALO DÍAZ PRO**

##### **General Manager**

General Manager of Ferreyros since January 2016. Previously, he was in charge of the Deputy General Management; before that, of the Central Business Management, for seven years, and of the management of the Great Mining Division. He joined the company in August 2004. He has more than 25 years of experience in management and development of construction projects, open-pit mining and energy, in both Peru and Chile. He has held various positions in Cosapi group, including the Commercial Management of the subsidiary in Chile and the Project Management of the joint venture with Bechtel Corporation for the execution of the then Antamina greenfield. He has

been elected member of the Board of Directors of Sociedad Nacional de Minería, Petróleo y Energía for the period 2017-2019, an institution in which he has chaired the Suppliers Committee since 2012. Member of the Board of Directors of Cámara de Comercio Canada-Peru. He was also member of the Board of Directors of the Suppliers Committee of Cámara Peruana de la Construcción (Capeco) and the Infrastructure, Energy and Mining Committee of Cámara de Comercio Americana del Perú (Amcham Perú). Currently he is director of Unimaq, Orvisa, Ferrenergy, Fiansa, Motriza and Soluciones Sitech Perú, as well as of Ferreycorp subsidiaries abroad. A civil engineer graduated

from Pontificia Universidad Católica del Perú, he holds an MBA from Universidad Adolfo Ibañez of Chile and Incae Business School of Costa Rica. He is also a graduate of the CEO Management Program of Kellogg School of Management (Northwestern University) and has participated in various specialization courses in Peru and abroad, including the Business Directors Training Program, provided by the Pacifico and Piura universities, as well as consultant EY, and the Caterpillar Senior Management Program at the Kenan-Flagler Business School of the University of North Carolina (United States).

## 6— Appendix 1 Business



### JOSÉ LÓPEZ REY SÁNCHEZ

#### Central Human Resources Manager

Human Resources Central Manager at Ferreyros since 2016, he had worked as Product Support Central Manager since 2012. He joined the company in 1981. He was Services Manager from 1994 to 1998, and Parts and Services Manager from 1999 to 2001, year in which he was promoted to Product Support Division Manager. Mechanical engineer from Universidad Nacional de Ingeniería, he has completed courses in Management and Management Accounting at ESAN, as well as the Senior Management Program at Universidad de Piura. In 2007, he participated in the Caterpillar Leading for Growth and Profitability program at the Kenan-Flagler Business School of University of North Carolina.



### JORGE DURÁN CHENEAX

#### Central Product Support Manager

Product Support Division manager since 2016. He was in charge of the Agriculture and Division Branch management from 2012 until 2015. He joined the company in 1994 as field service engineer in charge of the Cerro Verde mining operation. Later he worked as Head of Service—South Region. In 1999, he was in charge of the Services Management at the national level; in 2001, of the Component Repair Center Management (CRC) and Lima Workshops; in 2005, of the Major Mining Operations management; and in 2007, of the Large Scale Mining Division Management. He

studied and graduated from the Mechanical Engineering faculty at Pontificia Universidad Católica del Perú (PUCP) and in 2009 he obtained an MBA from Universidad Adolfo Ibañez of Chile and Incae of Costa Rica. He has participated in several specialization courses and forums of Caterpillar, is certified as Black Belt in the Six Sigma continuous improvement program and in 2007 he graduated from the Caterpillar Leading for Growth and Profitability program, delivered in the Kenan-Flagler business school of University of North Carolina.



## 6— Appendix 1 Business



### HUGO SOMMERKAMP MOLINARI

#### Central Finance Manager

Central Finance Manager since 2016. He is in charge of the supervision of the management / areas of Treasury, Financial Services to Client, Logistics, Accounting, Taxes, Budgets Management control of Ferreyros. Previously he held the position of Central Systems and Management Control Manager, from 2001 to 2015; he was responsible for the Risks Area at a corporate level, and oversaw the Computing management until 2014. He joined the company in 1985 and held the position of Controller of the subsidiaries until 1990. Director of Unimaq, Orvisa, Fiansa, Fargoline, Forbis Logistics, Cresko, Motriza, Motored in Peru and El Salvador, Mercalsa and companies of Gentrac group.

Between 1990 and 1996, he worked in Paraguay as financial director of the different subsidiaries of the ECOM group (Lausanne, Switzerland). He rejoined the corporation in 1996 to hold the position of Finance and Administration Division manager, which he held until 2001. A public accountant appointed by Pontificia Universidad Catolica del Peru, with specialized courses in Peru and abroad, including the Caterpillar Leading for Growth and Profitability program, held at the Kenan-Flagler Business School of University of North Carolina. He has been a stock exchange representative of Ferreycorp S.A.A. and Ferreyros S.A. since 31 March 2012.



### LUIS FERNANDO ARMAS TAMAYO

#### Large Scale Mining Division Manager

Large Scale Mining Division Manager since 2012, with 30 years of experience in management, implementation, marketing and heavy equipment market development for open-pit mining operations. He worked as Caterpillar's regional manager for North Latin America, based in Miami (United States), during 2011; as general manager of Bucyrus South Africa, based in Johannesburg, from 2009 to 2011; and as general manager of Bucyrus Peru, from 2000 to 2009, participating in the implementation and creation of the company in the national mining market. Previously, he held the position of senior for mine maintenance at Alumbreira mining (Argentina), from 1997 to 2000. He also held engineering, planning and maintenance positions in Southern Peru, at its Cuajone operations, from 1986 to 1997. A mechanical and electrical engineer graduated from Universidad Nacional de Ingenieria, with postgraduate studies in the Senior Management Program from Universidad de Piura and many specialization courses in mining equipment in Peru, Chile and the United States.

## 6— Appendix 1 Business



### ENRIQUE SALAS RIZO-PATRÓN

#### National Accounts Division Manager

National Accounts Division Manager since 2016. Previously, he led the Mining and Construction Division management, between 2010 and 2015. He had also worked as general manager of Mega Representaciones subsidiary since 2007. Currently, he is the director of Unimaq, Soltrak, Motored in Peru, Motriza and Soluciones Sitech Peru. He was founder and general manager of Mega Caucho as of 1999, the leading company in the commercialization of off-road tires and industrial lubricants in the country. He worked as sales director at Andean Trading, exclusive representative of Goodyear International for Peru, company in which he had worked since 1986. He has more than 30 years of experience in sales and value-added service of industrial products for mining, construction, transport and industry markets. He studied at Universidad de Lima and pursued a specialization in Sales, Marketing and Services at ESAN, as well as other studies dedicated

to commercial, administrative and financial management for executives. He took part in courses and forums of Caterpillar and institutions related to the aforementioned markets.

## 6— Appendix 1 Business

Professional experience of the main executives of the other subsidiaries and businesses



### **ALBERTO PARODI DE LA CUADRA**

#### **General Manager of Unimaq**

General Manager of Unimaq since January 2016. Previously, he was in charge of Deputy General Management and was Central Manager of Business and Operations of the Corporacion General de Tractores, S.A. (Gentrac), in Guatemala from 2010 to July 2015. He joined Ferreyros in 1995, where he worked as Construction, Medium Mining and Energy Division manager between 2007 and 2010; as Commercial Manager of Construction and Medium Mining, between January 2006 and January 2007; and as post-sales commercial manager from July 2002 to December 2005, among other positions. He is director of Ferreycorp's subsidiaries in Central America. Industrial engineer from Ricardo

Palma University and holds a Master's Degree in Strategic Business Administration from Centrum Catolica, business school of Pontificia Universidad Catolica del Peru. He has also completed the FSE (Finance for Senior Executives) course at Harvard University in Boston and of Leadership at Incae in Costa Rica. He took part of Caterpillar Leading for Growth and Profitability program at Kenan-Flager business school at the University of North Carolina, and has attended various specialization programs in Peru and abroad.

## 6— Appendix 1 Business



### **CÉSAR VÁSQUEZ VELÁSQUEZ**

**General Manager of Orvisa**

General Manager of Orvisa S.A. since February 2006. With 16 years of experience in the field of capital goods, he has held the positions of general manager, chief administrative officer and general accountant in the same company. He worked in the Interbank store network and was general accountant for Compañía Embotelladora Lusitania. He was member of the Board of Caja Municipal de Ahorro y Credito of Maynas (CMAC Maynas) from 2005 to 2007 and member of Senati Loreto Zonal Council between 2009 and 2011. He holds a Master's Degree in Financial Management from the Escuela de Organizacion Industrial (EOI) of Spain, a Master's Degree in Higher Education from Universidad Nacional Mayor de San Marcos (completed studies), as well as an Advanced Level Certification in Sales by Caterpillar University. He graduated as a public accountant from the Universidad Nacional de la Amazonia.



### **RICARDO RUIZ MUNGUÍA**

**General Manager of Gentrac and General de Equipos**

General Manager of all Ferreycorp subsidiaries in Central America, representatives of Caterpillar. He joined General de Equipos in 1978. He has held positions in different areas of the company, and was appointed as general manager in 1991. In 1998, when General de Equipos acquired 100% of Gentrac in Guatemala and Gentrac in Belize, he was appointed Vice-president of the Board and executive director of the three companies. In 2001, he was appointed Chairman of the Board and CEO of Gentrac Corporation, the holding of the above mentioned companies. In 2010, the holding company became property of Ferreycorp

(formerly known as Ferreyros S.A.A.) and he was appointed general manager of the new organization in Central America. In other activities in El Salvador, he has worked as a member of the Board of Directors of Aseguradora Agricola Comercial; member of the Board of Directors of Banco de Comercio; Chairman of the Board of Directors of Banco Atlacatl; member of the Board of Directors of Banco Central de Reserva; member of the Board of Directors of Asociacion Bancaria; director of Financiera Atlacatl; as well as director of Asociacion de Ahorro y Prestamo Aprisa. He holds a Bachelor's degree in Agricultural Economics from University of Louisiana and a Master's Degree in Business Administration from Incae.

## 6— Appendix 1 Business



### **HENRI BORIT SALINAS**

#### **General Manager of Motored**

General Manager of Motored S.A. since 2012. He was manager of Automotive Division of Ferreyros S.A.A. from 2011 to 2012, the year in which it was taken over by Motored. He began his career in the Consultancy Division of Arthur Andersen & Co. in 1992, an organization from which he resigned as manager in 1998. He has worked as general manager of Indumotora del Peru between 1999 and 2011. He has 15 years of experience in the automotive sector. He has been member of the Board Association of Automotive Representatives of Peru (Araper) between 2005 and 2011 and from 2013 to the present. An industrial engineer from Universidad de Lima, he carried out postgraduate studies at Universidad del Pacifico and Universidad de Piura.



### **VÍCTOR OTERO PIZARRO**

#### **General Manager of Trex Latinoamerica**

General Manager of Trex Latinoamerica since its establishment in 2014. Previously, he worked as general manager of Equipos y Servicios Trex S.A., founded together with his partners in 2000. He has 25 years of experience in management and development of capital goods businesses, in the mining and port areas, holding various positions in Minepro Chile company (today Joy Global) including Material Handling division management, which included P&H cranes, PPM port equipment and Morris crane bridges. An architect from Pontificia Universidad Catolica de Chile, he holds an MBA from Universidad Adolfo Ibañez.



### **CARLOS OJEDA IGLESIAS**

#### **Manager of Trex in Peru and Colombia**

Manager of Trex in Peru and Colombia. Previously, he worked as manager of the pneumatic division at Soltrak (formerly Mega Representaciones), between 2007 and 2014. He was operations and services manager at Mega Caucho (2004-2006), a company engaged in the supply of consumables for mining, construction and transportation, which was later acquired by the corporation and became as Soltrak. He also worked as a Navy officer for 15 years, with experience in operations and leadership (1991 - 2004). A graduate from Escuela Naval del Peru, he completed a Management MBA at Centrum Catolica business school, as well as a postgraduate program in Operational Analysis at Universidad de Bahia Blanca and at the Argentine Naval Academy.

## 6— Appendix 1 Business



### **JAVIER BARRÓN RAMOS PLATA**

**Manager of Cresko**

Manager of Cresko. He began his career in 1996 in Ferreyros, working in various positions in the Commercial and Administration areas in several branches of the corporation. He received several awards and honors in courses taught by Caterpillar. He has 20 years of experience in the marketing of capital goods. He has been regional adviser of Senati in La Libertad for 2010-2012 period, as well as a representative of the organization in the various chambers of commerce of the branches with which he interacted. He is presently a member of the CCL Machinery Committee. An industrial engineer graduated from Universidad de Piura, he graduated with honors in Business Administration Master's Program at ESAN, with postgraduate studies in Finance at ESAN. He has completed several courses of Marketing, Leadership and Sales dictated by Caterpillar. He has received an Advanced level Certification in Sales from Caterpillar University.



### **JORGE DEVOTO NÚÑEZ DEL ARCO**

**General Manager of Forbis Logistics**

General Manager of Forbis Logistics Corp. and Forbis Logistics S.A. since 2013. He has had experience in managing logistics projects since 2001. With more than nine years of experience in the corporation, he has held positions in three representative areas: Commercial, Projects and Logistics. As part of his experience, his participation in the exchange program with Caterpillar, in the city of Miami, where he worked for a year, stands out in his career. He is certified as a Black Belt in the Six Sigma continuous improvement program, as well as in the Caterpillar Production System (CPS), a continuous improvement methodology adapted to the Caterpillar world. He holds a Bachelor's degree in Food Industries from Universidad Nacional Agraria La Molina and graduated with honors from the Strategic Business Administration (MBA) at Centrum Catolica.



### **RAÚL NEYRA UGARTE**

**General Manager of Fargoline**

General Manager of Fargoline S.A. since 2009. He began his professional career in the Navy, then moved to the private sector, working in Molinos Takagaki, in the poultry industry, and in Nestle, in the area of products of mass consumption. He joined Ferreyros in 1995, where he has held managerial positions since 2005, after working in different areas of the corporation. Member of the Board of Directors of Asociacion de Operadores Portuarios del Peru. He holds an MBA from Incae of Costa Rica and Universidad Adolfo Ibañez de Chile, as well as a specialization in Logistics from Pontificia Universidad Catolica del Peru. He is certified as Black Belt in the Six Sigma continuous improvement program by Caterpillar University, and he is a graduate from the Naval Academy of Peru as a Navy Officer with an Administration Bachelor's degree.

## 6— Appendix 1 Business



### **JOSÉ LUIS CHOCARRO AMUNÁRRIZ**

**General Manager of Fiansa**

General Manager of Fiansa S.A. He has had an extended career in Corporacion Mondragon, one of the top ten business groups in Spain, which includes the positions of technical secretary of the Construction Division at a corporate level; Director of Promotion and Development of URSSA, a company of the group expertise in metal-mechanical constructions, with projects carried out in four continents; and Director of Promotion and Development, as well as director of the Environment Business Unit of Biurrarena, a company of the corporation engaged in the capital goods market. He also worked as manager and chief financial officer of Viviendas y Contratas (Vicon), a Spanish company involved in real estate construction. He holds a degree in Economics and Business Administration from Universidad de Deusto in San Sebastian (Spain), with the distinction of "Notable", as well as Bachelor's and COU from Colegio del Sagrado Corazon de Donostia-San Sebastian.



### **MARCOS WIELAND CONROY**

**General Manager of Soluciones Sitech Peru**

General Manager of Soluciones Sitech Peru S.A. since it started to operate. He began his career at IBM as a system support engineer. Later, he worked at Microsoft as Marketing Programs Manager in the education, marketing and sales areas; in the consultancy BCTS, as business manager; and in Price Waterhouse Coopers, as Marketing manager. He joined Ferreyros in 2007 as Commercial Development Manager in the Marketing area, a position he held until he took up his current position. He holds a Bachelor's degree in Business Administration from University of Texas at Austin and holds two baccalaureate degrees: one in Industrial Engineering from Pontificia Universidad Catolica del Peru and another in Computer Science from University of Arkansas, in Little Rock. He has been Professor of Marketing and Technology for over ten years at ESAN.



### **ERNESTO VELIT SUAREZ**

**Gerente general de Ferrenergy**

General Manager of Ferrenergy since October 2016. He has more than 30 years of experience managing companies related to manufacturing, construction and consulting in mining, energy, industry, gas, oil and hydrocarbons. He was general manager of the metalworking company FIMA and the construction company Skanska; Project Manager at Cosapi and Parsons; and of consulting firms such as Cesel. He was Vice-president of Asociacion de Empresas Metalmecanicas Privadas del Peru and of the Comité de Proveedores de la Sociedad Nacional de Minería, Petróleo y Energía, member of the Metal-mechanic Committee of Sociedad Nacional de Industria and of the Junta Directiva de la Camara Peruana de la Construcción. A mechanical and electrical engineer, he holds a degree in Energetics from the Instituto Politecnico Bucarest. He holds a Master of Sciences awarded by Instituto Politecnico Bucarest and Instituto Politecnico of Paris.

## 6— Appendix 2 INFORMATION ON THE STOCK MARKET REGISTERED IN THE PUBLIC REGISTRY OF THE STOCK MARKET

### COMMON SHARES

CODE ISIN	TICKER	YEAR-MONTH	QUOTATIONS 2016				AVERAGE PRICE PEN
			OPENING PEN	CLOSE PEN	MAXIMUM PEN	MINIMUM PEN	
PEP736001004	FERREYC1	2016-01	1.33	1.22	1.33	1.21	1.26
PEP736001004	FERREYC1	2016-02	1.20	1.30	1.35	1.17	1.29
PEP736001004	FERREYC1	2016-03	1.29	1.47	1.49	1.28	1.41
PEP736001004	FERREYC1	2016-04	1.45	1.72	1.80	1.33	1.63
PEP736001004	FERREYC1	2016-05	1.72	1.70	1.75	1.60	1.70
PEP736001004	FERREYC1	2016-06	1.70	1.56	1.70	1.50	1.64
PEP736001004	FERREYC1	2016-07	1.56	1.63	1.70	1.49	1.60
PEP736001004	FERREYC1	2016-08	1.63	1.63	1.69	1.57	1.62
PEP736001004	FERREYC1	2016-09	1.61	1.65	1.66	1.59	1.63
PEP736001004	FERREYC1	2016-10	1.65	1.67	1.70	1.61	1.65
PEP736001004	FERREYC1	2016-11	1.65	1.71	1.71	1.55	1.66
PEP736001004	FERREYC1	2016-12	1.71	1.69	1.73	1.65	1.70



## 6— Appendix 2 Information on the stock market registered in the public registry of the stock market

### ISSUANCE OF CURRENT DEBT INSTRUMENTS

#### International Bond Issuance 144A/ Reg S

Ferreycorp issued in April 2013, in the international market, USD 300 million in corporate bonds. The amount raised by this issue, with an annual rate of 4.875%, was used to reshape the debt on an average term of three years with amortizations, to a capital payment in seven years bullet. In this way, the company released short-term credit lines and covered its medium-term needs.

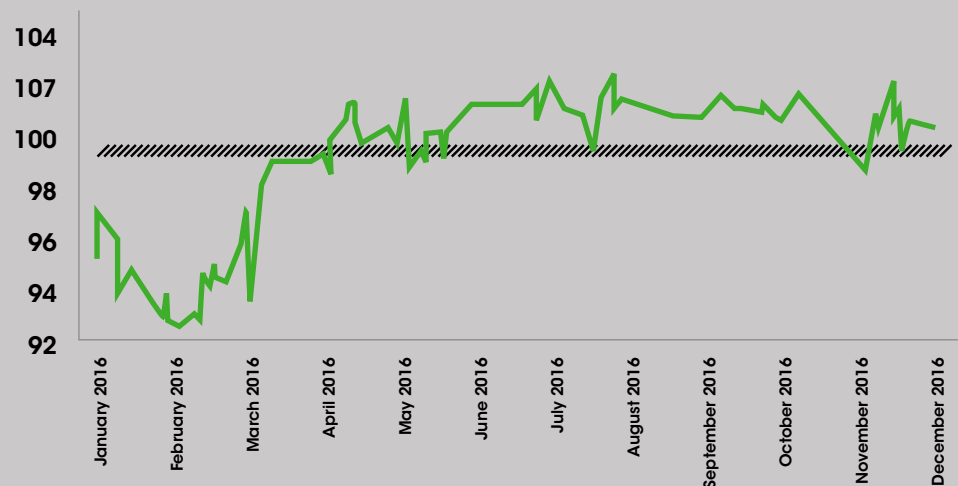
The slowdown of the economy led to a reduction in the demand of financial resources, both of working capital, and investments, so a repurchase of bonds was carried out in order to achieve better and more flexible conditions. On 24 June 2016, after completing the corresponding process, a total amount of USD 123,600,799.89 was paid in favor of the holders of the aforementioned bonds

All the aforementioned holders had the opportunity to participate in this repurchase under the same conditions through a Tender Offer, in line with the good corporate governance practices

and transparency that are the hallmark of the Corporation.

The following is the performance of the bonds during 2016:

#### INTERNATIONAL BOND PRICE



**CONTENT EDITION**  
Cecilia Balcázar Suárez

**CREATION,  
STRATEGIC CONCEPT  
AND DESIGN—**





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Surco. Lima, Peru  
626-4000

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Ferreycorp

## Appendices

# CORPORATE SUSTAINABILITY REPORT

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## Section A

Implementation of Corporate Sustainability Actions

02

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## Section B

Actions implemented by the Corporation

12

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# A— Implementation of Corporate Sustainability Actions

QUESTION A.1	YES	NO	EXPLANATION:
Has the corporation voluntarily subscribed to good practices standards on Corporate Sustainability?	X		Ferreycorp promotes sustainable growth through a socially responsible management model.

If the answer to the above question is Yes, specify the standard and subscription date:

STANDARD	SUBSCRIPTION DATE
United Nations Global Compact Network	01 JAN 2004
Good Employers Association (AmCham)	01 JAN 2007
Socially Responsible Company hallmark	01 JAN 2013

In case sustainability reports other than the present report are created, specify the following information:

THE REPORTS ARE CREATED:	YES	NO
Voluntarily	X	
At investors' demand		X
At public institutions demand		X
Others (detail):		

Those reports can be accessed through:

1— Section A

Stock market Superintendency portal	
Corporate web page	X
Social networks	
Others (detail)	

QUESTION A.2	YES	NO	EXPLANATION
Does the corporation have a corporate policy to assess the impact of its activities on the environment?	X		Ferreycorp has an Industrial Safety, Occupational Hygiene and Environment Management System based on ISO standard 14001.

a. If the answer to the above question is Yes, specify the corporation document that regulates such policy and the Body that approves it.

DOCUMENT	BODY
Safety, Health and Environment Integrated Policy (each subsidiary)	Safety, Health and Environment Committee and General Management

b. Does the corporation quantify the greenhouse gas emissions generated by its activities (carbon footprint)?

YES  NO

## 1— Section A

If the answer to above question is Yes, specify the results:

Scope 1: **3,135.63 t CO<sub>2</sub> eq** (directly-used fuels)  
 Scope 2: **2,023.48 t CO<sub>2</sub> eq** (electric power consumption)  
 Scope 3: **63.74 t CO<sub>2</sub> eq** (water consumption)

\*Results at country level for Ferreyros, Ferreycorp's main subsidiary. Information provided by Environment area.

c. Does the corporation quantify and document the total power consumed by its activities?

YES

NO

If the answer to above question is Yes, specify the results:

Total Ferreyros: **10'177,429.80 KW-H**  
 Total Fargoline: **727,645 KW-H**  
 Total Unimaq: **13,056 KW-H**

Total Motored: **203,139 KW-H**  
 Total Soltrak: **491,616 KW-H**

d. Does the corporation quantify and document the total water consumed by its activities (water footprint)?

YES

NO

## 1— Section A

If the answer to above question is Yes, specify the results:

Total Ferreyros: **92,369.80 m<sup>3</sup>**  
 Total Fargoline: **4,585 m<sup>3</sup>**  
 Total Unimaq: **540,773 m<sup>3</sup>**

Total Motored: **2,575 m<sup>3</sup>**  
 Total Soltrak: **55,678.76 m<sup>3</sup>**

e. Does the corporation quantify and document the total residues produced by its activities?

YES

NO

If the answer to above question is Yes, specify the results:

Total Ferreyros: **7'637,823.86 Kg.**  
 Total Fargoline: **134,560 Kg.**  
 Total Unimaq: **79,017 Kg.**

Total Motored: **56,718 Kg.**  
 Total Soltrak: **38,627 Kg.**



1— Section A

QUESTION A.3	YES	NO	EXPLANATION
¿Does the corporation have a policy to promote and guarantee the fundamental principles and rights at work of its employees? <sup>1</sup>	X		Ferreycorp companies have the Code of Ethics, Internal Work Regulation and Corporate Policy against Harassment and Discrimination

<sup>1</sup> According to the International Labor Organization (ILO) 1998 Declaration on Fundamental Principles and Rights at Work, the principles and rights comprise four categories: (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) the elimination of all forms of forced or compulsory labor; (iii) the effective abolition of child labor; and (iv) the elimination of discrimination in respect of employment and occupation.

a. If the answer to above question is Yes, specify the corporation document that regulates this policy and the Body that approves it.

DOCUMENT	BODY
1. Code of Ethics 2. Internal Work Regulation 3. Human Resources Standards, Policies and Procedures 4. Corporate Policy against Harassment and Discrimination	1. Corporate Affairs Managements 2. Corporate Human Resources Management 3. Corporate Human Resources Management 4. Corporate Human Resources Management

b Does the corporation keep a record of occupational accidents?

YES  NO

## 1— Section A

If the answer to above question is Yes, specify the area in charge of keeping that record and on what area it depends in the corporation hierarchy

AREA IN CHARGE	DEPENDS OF
Safety, Health and Environment	Corporate Human Resources Management

c. Does that corporation have a training plan for its employees?

YES

NO

If the answer to above question is Yes, specify the corporation Body that approves the plan and how often its compliance is assessed:

BODY	ASSESSMENT PERIODICITY
Corporate Human Talent Management	Twice a year

d. Does the corporation perform surveys on work climate?

YES

NO

If the answer to above question is Yes, specify the results:

Corporation average participation level: 95%  
 Corporate average commitment level: 80%  
 91% of our employees feels proud to be part of Ferreycorp

1— Section A

QUESTION A.4	YES	NO	EXPLANATION
Does the corporation have a policy to establish basic guidelines for relationships with the communities with which it interacts?	X		Ferreycorp strives to generate positive impacts on the communities, contributing with young people's education.

a. If the answer to above question is Yes, specify the corporation document that regulates this policy and the Body that approves it.

DOCUMENT	BODY
Code of Ethics	Corporate Affairs Management

b. Has the corporation faced social conflicts (strikes, rallies, others) at the community in which it mainly operates?

YES  NO

If the answer to above question is Yes, specify the impact of those social conflicts on the corporation's activities.

1— Section A

c. Does the corporation work together with the community for joint value creation, including identifying and solving main common problems?

YES  NO

d. Does the corporation invest in social programs at the community in which it mainly operates?

YES  NO

If the answer to above question is Yes, specify the percentage that represents the investment on those programs as compared with gross income, according to the corporation's financial statements:

(%) Gross income	The area's Budget is not related to the corporation's income
------------------	--

QUESTION A.5	YES	NO	EXPLANATION
Does the corporation have a policy to establish the basic guidelines to manage the relationships with its suppliers?	X		Ferreycorp upholds transparency, fair treatment and joint growth principles with its suppliers.

a. If the answer to above question is Yes, specify the corporation document that regulates this policy and the Body that approves it.

DOCUMENT	BODY
1. Code of Ethics	1. Corporate Affairs Management
2. Suppliers of Goods and Services Selection and Hiring Standards	2. Financial Services and Treasury Management
3. Contractors and Suppliers Work and Services Standards	3. Central Security Committee

1— Section A

b. Does the corporation keep a current record of its suppliers?

YES

NO

If the answer to above question is Yes, specify the area in charge of keeping that record and on what area it depends in the corporation hierarchy.

AREA IN CHARGE	DEPENDS OF
Gerencia de Servicios Financieros y Tesorería	Gerencia de Servicios Financieros y Tesorería

c. Does the corporation have a policy for selection of suppliers that considers ethical aspects and compliance with labor laws?

YES

NO

d. Does the corporation have a purchasing or hiring policy for selection of suppliers that comply with sustainability and environmental management standards?

YES

NO

QUESTION A.6	YES	NO	EXPLANATION
Does the corporation have a policy to establish the basic guidelines to manage the relationships with its customers?	X		Ferreycorp promotes mutual benefit and long-run relationships with its customers.

a. If the answer to above question is Yes, specify the corporation document that regulates this policy and the Body that approves it.

1— Section A

DOCUMENT	BODY
Code of Ethics	Corporate Affairs Management

b. Does the corporation keep a current record of its customers' complaints?

YES  NO

AREA IN CHARGE	DEPENDS OF
Customer Handling	Marketing Management

c. Does the corporation have permanent customer service channels that includes reception of suggestions and complaints related to the products and services it offers?

YES  NO

d. Has the corporation received a customer service award?

YES  NO

If the answer to the above question is Yes, specify the received awards:

Ferreyros, Ferreycorp's main subsidiary, was recognized by Caterpillar's Service Excellence Program, receiving the Silver level. This program assesses customer service areas of dealers from all over the world, in order to improve capabilities to provide an excellent customer service.

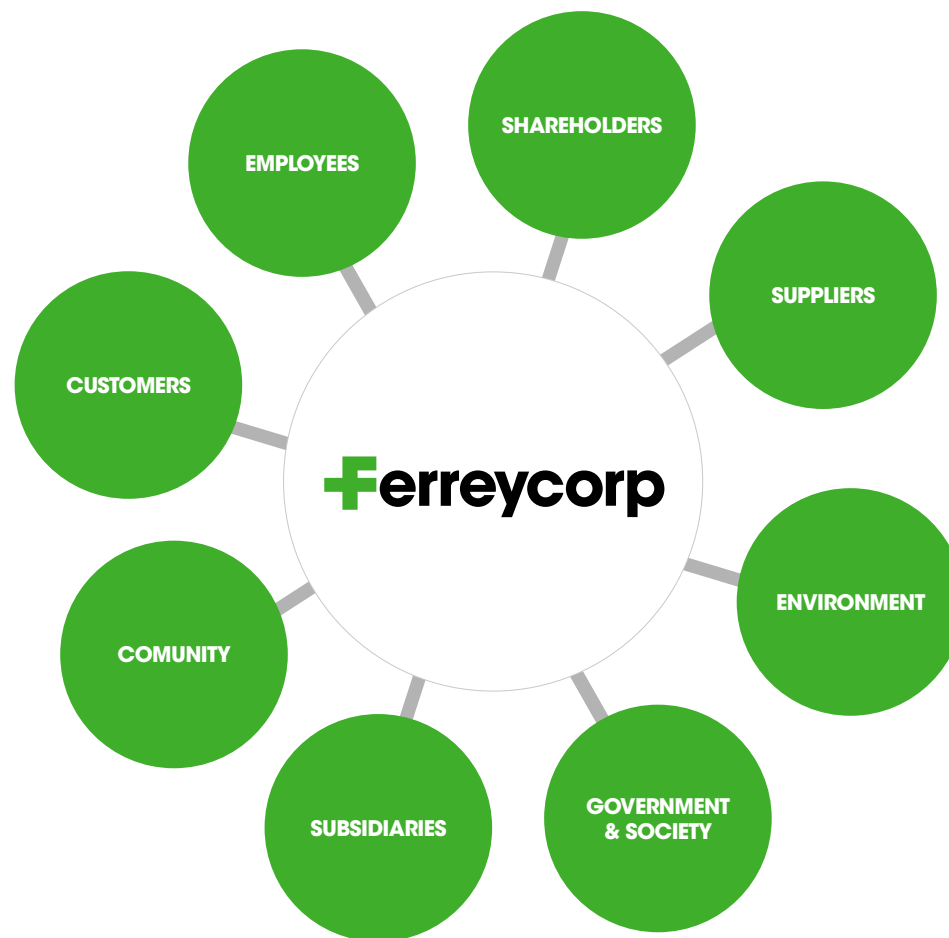
## B— Actions implemented by the Corporation

### INTRODUCTION

Sustainability is defined as the way to meet the needs of the present generation without compromising the ability of the future ones to meet their own needs. There is an ongoing need for this vision to deploy joint efforts if we are to build an inclusive and sustainable future for the people and the planet.

As a leading corporation in its field, Ferreycorp is aware of the need to enforce sustainable development through a CSR model, actively playing its role as an agent of change and a driving force for the country's progress. Therefore, it focuses in creating economic, social and environmental value and generating positive impact in all its stakeholders.

Since 2004, the corporation endorses the ten guiding principles of the United Nations Global Compact, which promote CSR in the areas of human rights, labor standards, environment and anti-corruption. It is also committed to the 17 Sustainable Development Goals of the United Nations, which call upon governments, companies and civil society to end poverty and



## 2— Section B

create a decent life with opportunities for all, within the planet's limits. Each of the initiatives detailed in this section corresponds to those global agreements. Ferreycorp, member of Peru 2021 has adopted the social responsibility model promoted by this institution.

### EMPLOYEES

With a total headcount of 6,540 employees at the end of 2016, Ferreycorp values human capital as its most important asset. To rely on a motivated and committed team is crucial to forge the corporation's leadership and strength. Ferreycorp, throughout its history, has accomplished great achievements and overcome important challenges thanks to the professional and committed work of this human group. The corporation recognizes these efforts and ensures optimum working conditions for all its employees as well as the necessary incentives for their comprehensive development.

#### - **Diversity and inclusion**

One of the commitments assumed by the corporation is to ensure a discrimination-free working environment, securing equal opportunities based on each employee's achievements, regardless of sex, ethnics, origin, creed or social condition. It is worth mentioning that the corporation's employees come from different geographic areas and diverse socioeconomic levels.

Likewise, Ferreycorp has a Labor Inclusion Program that aims at promoting the incorporation of people with disabilities who can be useful and productive, strengthening their self-confidence and self-esteem and integrating them into the working world.

The corporation also promotes gender equity within its companies, making positions available for women. At the end of 2016, 922 women were working in Ferreycorp (14% of the total universe) It is worth mentioning that different management positions, such as Board membership, General

Management, Human Resources Management and Corporate Financial Management, among others, are held by women.

#### - **Health, safety and working conditions**

Driven by a responsible corporate culture, and aware of the need to provide safety and protection not only to its employees but also to the environment, Ferreycorp is committed to develop safe and healthy working areas, and to promote the well-being of its personnel.

Therefore, it has in place an Industrial Safety, Occupational Hygiene and Environment Management System that constantly strives to comply with the highest risk management standards, in order to identify, assess and monitor all actions, omissions and conditions that could affect the health and physical integrity of the employees, cause damage to premises and equipment, or negatively impact the environment.

Likewise, the Social Welfare area provides continuous, personalized support on areas such



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as health, education, housing and family issues, among others.

- **Professional development**

Ferreycorp promotes and facilitates its employees' professional development, providing them with training opportunities in line with business needs and market requirements. Career schemes and succession plans are defined taking into account the performance and training of each employee.

In the case of administrative and marketing personnel, training programs to build a strong organizational culture are delivered. These programs maximize the employees' performance and satisfaction at work. For the development of technical personnel, the corporation promotes task-oriented and skill building training plans in specific areas.

For more information, please refer to the Internal Training section in Chapter 3, "Organization and Human Resources".

- **Personal and family development**

The corporation believes in providing spare time to its employees, to be spent with their families or used in other personal interests. It also believes that a proper balance between professional duties and personal life is the only way to achieve maximum levels of well-being and productivity. Moreover, the subsidiaries carry out different initiatives for their employees and their families, such as training in productive activities, holiday programs for children, family integration programs and recreational, artistic and sport activities.

- **Relationship with trade unions**

The corporation respects the right to freedom of association of its employees. Since 1946, and in a continuous way, the personnel of Ferreyros, the corporation's main subsidiary, have been represented by a Single Workers' Union that at the end of 2016 had 303 members. This group of employees has a good relationship with the company's representatives, and contributes to improve policies that enforce good labor conditions.

- **Compliance with labor norms**

The corporation and its subsidiaries pay special attention to the compliance of labor norms in aspects such as formalization of contractual relationship, inclusion of employees in payroll, working hours compliance, overtime recognition when applicable, benefit payments, disassociation conditions and right to vacations and permits, among others.

- **Social bonding activities**

Every year, the corporation carries out different social bonding activities with all the personnel. Corporate Olympics, football championships, year-end luncheons, and the "Ferreycorp 4k" corporate volunteers' race are opportunities to integrate personnel of the different subsidiaries

## 2— Section B

### SHAREHOLDERS

Ferreycorp's management is ruled by the Good Corporate Governance Principles, which guarantee respect for the shareholders' rights, fair treatment, transparent and timely presentation of information, and the existence of an efficient Board of Directors to represent them. The corporation has high compliance standards, and it has emerged as a benchmark for many companies that start the continuous improvement process, and the highest expression of commitment to corporate governance. During 2001, Ferreyros participated in the drafting of the Good Corporate Governance Principles for Peruvian Associations and, later, in its review process.

Since 2004, it has carried out a self-assessment of the adhesion and compliance level of those principles (promoted by Securities Market Superintendency) and it has a dividends policy that defines the rules applicable for profits distribution.

In 2016, the corporation was included in the Good Corporate Governance Index (IBGC) of the Lima Stock Market, for the ninth year in a row, as has been the case since the creation of this distinction in 2008. Likewise, it continued to actively participate in the Latin American Corporate Governance Round Table (Companies Circle), to which it belongs since 2006.

For more information, please refer to the 2016 Compliance Report of Good Corporate Governance for Peruvian Corporations.

### CUSTOMERS

Ferreycorp constantly strives for its companies to offer greater value to their clients, providing machinery, equipment, spare parts, high quality services and solutions that supplement and enrich each other to serve all sectors of the economy.

In this way, it provides mutually beneficial and long-term relationships, based on the

availability of the best comprehensive solutions, the support of a leading corporation present throughout the country, the excellence of services provided and a tradition of integrity with solid values.

Ferreycorp provides a value offer that includes:

- **A wide range of products and services** with the highest added value for customer and world class brands, which provide solid and effective responses to their business needs in the whole country and in diverse economic sectors.
- **Excellence in after-sales service**, which allows its customers to have the best possible support for their capital assets.
- **Proactive monitoring of the customers experiences**, in order to improve the satisfaction levels of products and services offered.
- **Complaints management** that allows improving service level through complaints solution and rooting cause analysis, in order to

## 2— Section B

generate organizational learning and anticipate future problems.

- **Marketing and communication policies** that strictly adhere to principles of respect towards competitors, oriented to the correct use of business information.
- **Privacy protection** with regard to the information it receives from its customers, making use of it only after receiving the required authorization.
- **Customer training** on technical specifications and correct use of the products.

### SUPPLIERS

Ferreycorp has a supplier hiring policy based on clearly defined principles, such as transparency and fair treatment. The objective is to develop trustworthy and fair relationships between the suppliers and the company, in order to work and grow together as strategic allies and thus meet the goals and commitments agreed with customers.

The corporation selects its suppliers based on the quality of their products and services, their prices and delivery terms. These criteria are supplemented with management elements such as their human resources policies and practices and their implementation of occupational health and safety programs.

Moreover, the different Ferreycorp companies promote the formalization and development of local suppliers, to improve the quality of the goods and services they offer, and in this way contribute to the growth of the local economy.

At Ferreycorp's subsidiaries level:

- Five subsidiaries (Ferreycorp, Unimaq, Fiansa, Soltrak and Fargoline) are partners of the Good Employers Association, sponsored by the Peruvian American Chamber of Commerce (AmCham). They are committed to promote among their suppliers good human resources practices that in turn motivate and secure the

well-being of their employees. This helps to increase their productivity levels and the quality of their goods and services.

- Since mid-2010, Ferreycorp's contracts with services suppliers include the requirement to comply with the Corporate Social Responsibility Principles defined by the company.
- Ferreycorp and Unimaq promote high safety standards within their carriers through standard approval processes performed once a year. Since 2007, Ferreycorp has incorporated these processes in a Carriers Committee to share experiences and good practices.
- In 2016, Fargoline trained all its suppliers in quality, health, safety and environmental subjects, as well as in the BASC standard.
- Unimaq, Motored and Soltrak provided inductions on safety topics to their suppliers.

## 2— Section B

### GOVERNMENT AND SOCIETY

Ferreycorp's Code of Ethics states that the corporation will never profit from any fraudulent or illegal behavior of its employees. The use of unethical practices in business deals with Governmental institutions is explicitly forbidden. Additionally, the Corporation demands that all its employees comply with all laws and regulations related to their activities.

Moreover, the corporation encourages responsible citizenship and a value-based culture; it promotes the shaping of opinions on public interest subjects such as social responsibility, foreign trade and capital markets, by participating in business fora and other sectors meetings.

Similarly, the Ferreyros, Unimaq, Orvisa, Motored, Soltrak and Fargoline subsidiaries are joining efforts to assess their performance and its impact on each of their stakeholders, by measuring, understanding and improving their actions on the economic, social and environmental aspects.

It is worth mentioning that Ferreycorp is a member of the United Nations Global Compact Network and that it is committed to its ten governance principles, as declared in its letter of endorsement, signed in 2004.

During 2016, as every year, the Corporation published a Progress Report about actions implemented consistently with the respect for human rights, fundamental rights and principles at work, environmental care and its fight against corruption, subjects included in the ten principles of the UN Compact Network.

### COMMUNITY

During 2016, Ferreycorp continued to deploy significant efforts to benefit the community, giving special emphasis to the one subject it considers a priority: young people's education.

#### **Ferreycorp Program for Professional Development - Ferreycorp Association**

Ferreyros, Unimaq, Orvisa, Fiansa, Cresko, Fargoline, Motored, Soltrak and the corporation itself, which form the Ferreycorp Association, address their actions to contribute to an ethical and professional education for young people, that will committing them to the country's development. The Association gives them the opportunity to reflect and discuss subjects that supplement their university education. During 2016, more than 2000 young persons with higher education, from 30 different cities in Peru, participated in this program

#### **Think Big Program**

The corporation actively cooperates with educational institutions devoted to specialized technical education. With Caterpillar's collaboration, it drives the Think Big program, whose objective is to train young people on the technical career of Mechanics.

In a two-year period, this program, launched in 2002, prepares technicians specialized on Caterpillar products. TECSUP training terms are

## 2— Section B

combined with several weeks of internships in Ferreyros. It also provides access to a Ferreyros educational credit trust that allows students to fund up to 100% of the tuition costs. That amount is paid back when the participants start working. Upon finishing their studies, the alumni can choose to develop their career line working at Ferreyros or at Unimaq.

During 2016, the thirteenth class graduated in Lima and the sixth class graduated in Arequipa.

### **SENATI Dual Learning Program and the Planting Seeds for Your Future Program**

Ferreyros, Fiansa, Motored, Orvisa and Unimaq are sponsors of the Dual System of the National Industrial Training Service (SENATI), developed in the cities of Cajamarca and Lima. This program allows young students of heavy machinery maintenance to supplement their technical education with hands-on training at the companies' premises.

On the other hand, through the Planting Seeds for Your Future Program, Unimaq completely covers the costs of school education for children from the Huaycan community (in Lima) that show an outstanding performance and great desire to study a technical career in SENATI.

### **Heavy Machinery Operators Club**

At the end of 2016 closing, more than 10,000 members had joined the Heavy Machinery Operators Club, a Ferreycorp social responsibility initiative (in collaboration with its Ferreyros, Unimaq and Orvisa subsidiaries). This unique Peruvian community began its activities in 2013, with the objective of contributing to the development and recognition of machinery operators.

During 2016, the club gave its members the opportunity to access knowledge and experiences through free seminars in different country locations, through its website [www.cluboperadoresferreyros.com](http://www.cluboperadoresferreyros.com)

and its Facebook page. The Club promoted the establishment of the Heavy Machinery Operator's Day. Among the various club activities stands out the organization of the "Best Heavy Machinery Operator in Peru" contest, celebrated twice already, and involving more than 3,000 operators from the 24 country departments. The club is currently preparing the third edition of this contest.

### **Heavy Machinery Technicians Club**

During 2016, the corporation, together with its subsidiaries Ferreyros, Unimaq and Orvisa, tried to replicate the success of the Heavy Machinery Operators Club to positively impact another very important professional and human group: the heavy machinery technicians.

To do so, it launched the Heavy Machinery Technicians Club, with the goal of encouraging their development and recognition in our country. The core activity was a nationwide contest to find the "Best Heavy Machinery Technician of Peru". The first experience of this type attracted

## 2— Section B

more than 1,800 participants. Moreover, the club disseminated valuable information and prompted interaction among its members using digital platforms such as the [www.clubdetecnicos.com.pe](http://www.clubdetecnicos.com.pe) website and the social networks.

### **Works for Taxes**

Ferreycorp directly contributes to the decentralized development of the country by financing and executing public investment projects, under the “Works for Taxes” model, mainly focusing on water and sanitation works, road infrastructure and education.

In a joint venture with the Chungar and Chinalco mining companies, Ferreyros applied this model to complete a project whose objective was to improve and expand drinking water, sewage and wastewater treatment services in seven neighborhoods of the Yauli district (Yauli province in Junin).

Ferreyros in a joint venture with Chungar and Unimaq also completed the extension

and improvement works for another drinking water, sewage and wastewater treatment project in the village of San Agustin de Huaychao, district of Huayllay district (Cerro de Pasco).

On July 2016, Ferreyros signed an agreement with the Regional Government of Cusco to finance and execute two water and sanitation projects in the villages of Zurite and Sangarara, worth 20 million soles. This will benefit more than 4,000 residents. These are the first two “Works for Taxes” experiences convened by the Regional Government of Cusco.

Ferreycorp firmly believes in the positive impact of the Works for Taxes model, which has enabled the private sector to address its capabilities towards reducing the country’s wide infrastructure gap in a more efficient way. The end product is the improvement of life quality and access to development possibilities for remote and poor areas that lack the most basic services.

### **Pre-professional Internship, Academic Research Support and Vocational Guidance program**

Ferreyros, Unimaq, Soltrak, Motored, Orvisa, Fiansa and Cresko provide this program exclusively for university students in the last years of their career. They are assigned a mentor who guides them through a very-valuable learning program and provides them feedback on their performance, to help develop their professional capabilities.

On the other hand, support is also given to those students whose academic research projects are related to Ferreyros. Several years ago, the company assumed the responsibility of receiving students on their last school year, to allow them to have a personal experience with their possible future profession.

### **Corporate Volunteering**

The activities of the corporate volunteers focused on improving schools infrastructure and on facilitating the transfer of knowledge to schoolchildren. In 2016, the volunteers’ efforts

## 2— Section B

targeted children and adolescents from different areas of Lima and the country.

Aiming to support those in need, for the seventh year in a row the “Ferreycorp 4K” race was organized. This is a fund-raising activity for corporate volunteers, and it took place at the same time in 13 Peruvian cities, with a participation of more than 4,000 employees from ten of the subsidiary companies, including friends and relatives.

### ENVIRONMENT

Ferreycorp assumes the responsibility of taking a preventive approach principle to preserve the environment. By doing so, it strives to prevent negative environmental impacts and to continuously improve the environmental performance, according to its Comprehensive Policy on Health, Safety and the Environment.

The corporation has developed a Standard Environmental Management System based on the ISO 14001 standard, with the objective of improving the compliance with environmental requisites and boosting its performance.

This system is executed, monitored and audited through the Environment Management Programs (PGA) of each company, which include planning (identification of environmental impacts); training and awareness-raising; operational control (adequate handling of the business’ main environmental aspects); and verification (monthly consumption indicators, follow-up to corrective and preventive actions).

During 2016, Ferreycorp made progress in handling Waste of Electrical and Electronic Equipment (WEEE), through a corporate agreement with the Entel Company and a WEEE operator. Likewise, the approval for environment management instruments in eight Ferreyros

branches was obtained, in accordance with guidelines of the Production Ministry.

Regarding energy savings, LED lamps have been installed in the CRC workshops and the WIP warehouse, avoiding the emission of more than 250 t CO<sub>2</sub> eq throughout these lamps’ lifespans, thus reducing the carbon footprint in those places.

## 2— Section B

### 2016 AWARDS

- Socially Responsible Company Distinction. Given by Peru 2021 to Fargoline, Ferreyros, Soltrak, Motored and Unimaq.
- “Most Admired Companies in Peru”. Given by PwC and the “G de Gestion” magazine to Ferreycorp for the fourth time.
- Merco Talento 2016 – Among the 10 best companies in attracting and keeping human talent in Peru, and leader in its area. Given by Merco and the ESAN University to Ferreyros for the third year in a row.
- Merco Empresas 2016 – Among the 10 companies with best reputation, and leader in its area. Given by Merco and the Gestion periodical to Ferreyros for the fifth year in a row.
- Ministry of Labor 2016 Good Labor Practices Contest – First prize. Given to Ferreyros for providing better benefits to its workers.
- “The Market’s Voice” 2016 Ranking, presented by Ernst & Young (EY) and the Lima Stock Market. Ferreycorp, second company with the best corporate governance, practices among the 27 issuers with more liquidity in the Peruvian market.



## Attachments

# REPORT ON THE COMPLIANCE OF THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

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## Section A

03

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## Section B

Assessment of Compliance with the Principles of the Good Governance Code  
for Peruvian Corporations

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# Report on the Compliance of the Good Corporate Governance Code for Peruvian Companies (10150)

**Name::** FERREYCORP S.A.A.

**Fiscal year::** 2016

**Web page::** [www.ferreycorp.com.pe](http://www.ferreycorp.com.pe)

**Designation or business name of the auditing company:<sup>1</sup>**

**RPJ:** B60001

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<sup>1</sup> Only applicable if the information contained in this report has been reviewed by a specialized company (for example: an auditing firm or consulting firm).

## Report on the Compliance of the Good Corporate Governance Code for Peruvian Companies (10150)

### METHODOLOGY

Companies that have securities listed in the Public Registry of the Stock Market are obliged to disseminate their good corporate governance practices to the public. For this purpose, they report their commitment to the principles contained in *the Good Corporate Governance Code for Peruvian Companies*<sup>2</sup>.

The information to be presented refers to the period ending 31 December of the previous calendar year, so any reference to "the year" must be understood to be in the period indicated above, and references an appendix to the Annual Report of the Company under the electronic formats established by the Stock Market Superintendency (SMV) to facilitate forwarding the information of this report through the MVnet System.

**Section A** includes a cover letter from the Company, highlighting the main progress achieved, regarding corporate governance during the year.

**Section B** shows the degree of fulfillment with the principles that make up the Code. To this end, the Report is structured in accordance with its five pillars:

- I. Rights of Shareholders
- II. Shareholders Meeting
- III. Board of Directors and Top Management<sup>3</sup>
- IV. Risk and compliance
- V. Information Transparency

Each principle is evaluated under the following parameters:

- a) **Evaluation "to comply or explain"**: It is indicated with a check mark (x) the level of compliance achieved by the Company, taking into consideration the following criteria:

Yes: The principle is fully fulfilled.

No: The principle is not fulfilled.

**Explanation**: In this field, if the "No" option has been selected, the Company must explain the reasons why it did not adopt the principle or the actions developed that allow it to consider progress towards compliance or partial adoption, as appropriate. Additionally, if it is

deemed necessary, the Company may provide information about compliance with the principle in cases where the option "Yes" has been selected.

- b) **Support information**: Information provided gives detail as to how the Company has implemented the principle.

**Section C** sets forth the Company's documents that regulate its policies, procedures or other relevant aspects related to the principles subject to evaluation.

**Section D** includes additional information not developed in the previous sections or other relevant information that the Company freely decides to mention so that investors and various stakeholders can have a greater scope of good governance practices it implements.

<sup>2</sup> The Code of Good Corporate Governance for the Peruvian Companies (2013) can be consulted in the Guidance – Corporate Governance section of the Stock Market Portal [www.smv.gob.pe](http://www.smv.gob.pe).

<sup>3</sup> The term "Top Management" includes the general manager and other managers.

# A— Section

## Cover Letter<sup>4</sup>

The Good Corporate Governance code for Peruvian Companies, updated in 2013, is divided in five pillars: i) Shareholders Rights; ii) General Shareholders Meeting, iii) the Board of Directors and Senior Management; iv) Risk and Compliance and v) Information Transparency, all of which Ferreycorp considers top priorities. The corporation has established its governance guidelines in accordance to national and international regulations and other global principles, following the values it has developed in over 90 years of existence.

### I. SHAREHOLDERS AND INVESTORS RIGHTS

The corporation recognizes and protects the rights of its shareholders and investors, as well as an equal and egalitarian treatment among them all, independently of their participation (majority or minority) and origin (national or foreign). Ferreycorp is committed to continuously improving in this regard, and to attracting more investors as a result of its

transparency, equity and seriousness in its relations with these important stakeholders. Ferreycorp has corporate documentation- such as bylaws, regulations, internal policies and rules of procedure – which guide its actions on this matter.

Some key activities to safeguard the rights of our shareholders are providing them with relevant information on the corporation, in a permanent manner, as well as planning and disseminating shareholder meetings aiming to achieve as much participation as possible, be it through direct or remote presence, or through powers of attorney.

The corporation recognizes that one of the main rights of shareholders is to partake in the profits created by their investment. For more than 20 years, we have had a dividend policy with which we comply thoroughly, as well as entrance and exit mechanisms through the Lima Stock Market (BVL). This has increased liquidity through the hiring of a market maker.

Every shareholder also has the possibility to make comments to the management and formulate pertinent and legal proposals in order to improve the performance of the company, among other aspects.

Ferreycorp shareholders have the right to require and receive timely and trustworthy information. For this purpose, the corporation has an area exclusively dedicated to answer their queries: the Investor and Securities Relations Management, which is part of the Finances Management. In addition, the corporation is aware of the market's opinion, which is why it expects to establish a direct and transparent relationship with the issuing companies it is interested in, for investing or establishing a position or recommendation.

<sup>4</sup> Describes the main actions implemented during the fiscal year with regard to the terms of good practices in corporate governance the corporation considers relevant to point out, in line with the five pillars that make up the Good Corporate Governance Code for Peruvian Societies (2013): Shareholder rights, General Shareholders Meeting, the Board of Directors and Senior Management, Risks and Compliance and Information Transparency.

1— Section A

**II. GENERAL SHAREHOLDERS MEETING**

We understand that one of the main rights of shareholders is to approve the corporation's annual management, the distribution of profits, the changes to the Rules of Incorporation, among others, at the Annual Shareholders Meeting, which is why this event is considered very important. Thus, on 30 March 2016 we held the Shareholders General Meeting, called with due anticipation through ads posted on the El Comercio and El Peruano newspapers, over the phone, on our website, by post and by e-mail. The calling detailed each of the items on the agenda to promote an informed participation of shareholders in the assembly. It should be highlighted that shareholders do not only receive the items of the agenda, but also a detail of the proposals made on it.

As we mentioned, Ferreycorp aims to achieve as much shareholder participation as possible at the meeting. However, we are aware that as we have foreign investors it is sometimes difficult to reach all shareholders, as there are bank

and custody sequences between the company and the holder. It is for this reason the company decided three years ago to hire Georgeson, a Spanish consulting firm leader in identifying shareholders in order to obtain participation at the meetings and an improvement in the process of sending powers of attorney with voting intentions for each of the shareholders being represented.

Thus, we achieved the attendance of 113 shareholders, whom added to those who granted powers of attorney allowed the meeting of March 2016 to hold a session with a 78.9% quorum. It is important to note that these powers of attorney were considered an individual vote for each motion on the agenda.

Due to the good practices regarding the calling for the meeting, disclosure of the agenda, and the proposals of the Board, the two main international consultants who provided recommendations for the management of votes - Institutional Shareholder Services Inc. (ISS) and Glass, Lewis & Co. - recommended all investors

to vote in favor of all the proposals made on the 2016 meeting's agenda.

During this meeting, the General Manager-who is responsible for the compliance and supervision of the resolutions adopted at the previous meeting - informed shareholders of the compliance with the resolutions of the Mandatory Shareholder General Meeting of 2015, which had already been reported by the Board of Directors and disclosed to the market on that same day as an "important fact", as well as being published in the Ferreycorp website.

On that meeting, we carried out a detailed presentation for shareholders on the results and strategic vision of the corporation. In addition, on the assembly we approved the audited financial statements, the annual report and the following items of the agenda:

- The Company's Articles of Incorporation were modified to include an arbitration clause to solve disputes.
- Payment of dividends in cash was approved,

## 1— Section A

in accordance to the policy of dividends the company has had since 1997, which establishes the criteria of distribution of profits. By recommendation of the Board, we agreed on a distribution of PEN 0.08 per share (8.00%) as cash dividend. Shareholders were paid the dividend on May 2016.

- The Board's proposal to hire the Gaveglío, Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada firm, was approved. It is a member of PricewaterhouseCoopers (PwC), and the Board was delegated the negotiation of the conditions of their hiring. The firm was hired by the Management on April 2016 for the financial auditing of 2016.

### III. BOARD OF DIRECTORS POLICIES

In Ferreycorp, we consider the Board's role to be fundamental in creating value for shareholders, as it, along with the Management, creates the strategic plan of the corporation

and its subsidiaries, as well as monitoring the execution of the action plan. This is how we guarantee the sustainability of the corporation and the maximization of the value created not only for shareholders but also for all the main shareholding groups.

The policies and practices of the Board are defined in the Rules of Incorporation and its regulation procedures, which contemplate: its responsibilities and functions, how it is made up and its selection criteria, the procedures of induction, the rules of the calling and how are sessions carried out, the issuing of information, its assessment and the definition of its remuneration, among other aspects.

The Board of Directors provides experience and new points of view as a result of the plurality of their members and the presence of independent directors, through their active participation during the plenary and special committee sessions.

On 31 August 2016, we launched a Significant Event regarding the appointment of new Presidents of Board committees and the modifications to the Internal Regulations of the Shareholders and Board Meeting to the Stock Market Superintendency (SMV). This is how the appointment of independent directors as Chairpersons of the following Board committees was approved:

- Committee of Auditing and Risks: Mr. Ricardo Briceño Villena.
- Committee of Appointments, Remunerations and Corporate Governance: Mr. Raul Ortiz de Zevallos Ferrand.
- Committee of Innovation and Systems: Mrs. Carmen Rosa Graham Ayllon.

In order to continue facilitating the Board's performance, we hired the services of Diligent towards the end of 2016, which has developed an electronic platform to manage Board meetings, and the information distributed among directors, including the calling, the items of the

## 1— Section A

agenda and the documents that must be made available to all directors before the meeting, as well as the minute drafts that must be approved by the directors, among other related issues.

### IV. RISK AND COMPLIANCE

In addition, the corporation understands the importance of effectiveness and independence in control environments. Its Board approves a comprehensive risk management policy for all the companies that belong to the corporation enabling a global vision of critical risks.

Ferreycorp counts with an internal auditor that carries out auditing tasks exclusively for the corporation and is autonomous, experienced and specialized on the matters being evaluated independently. The internal auditor reports to the Board through its Committee of Auditing and Risks, on the annual auditing plan, the results obtained and actions taken. Within this framework, the internal auditor presented the 2016 auditing plan to the Committee of Auditing

and Risks, and thereafter provided periodical reports on the results of the auditing for each company of the corporation.

The specialized area of risks control presented a mapping of risks for the companies of the corporation to the Committee of Auditing and Risks, as well as the process through which they had defined a series of measures for their control and mitigation. The General Management periodically monitors the risks to which the corporation is exposed.

Ferreycorp and its subsidiaries must hire the services of independent external auditors to obtain annual financial statements, both individual and consolidated. External auditors will deliver an expert opinion on the integrity of said statements. According to the internal policy of the companies, the external auditors will be able to rule the financial statements of the company for five years in a row, and may be appointed an additional period, in case the services provided are satisfactory and in adequate economical terms.

Ferreycorp sustains the hiring policy of the auditing firm, which is appointed by the Shareholder's General Meeting, and proposed by the Board. The hiring of external auditors will depend on the assessment made by the Board's Committee of Auditing and Risks. External auditors will evaluate the effectiveness and operability of the internal control system; their main mission is to offer an independent opinion on the corporation's annual accounting statements.

It is important to highlight that in 2016, the development of a Compliance Report was implemented, and its progress during the first semester was presented to the Board through the Committee of Auditing and Risks. This report presents an assessment of the level of compliance with the regulations on critical aspects of the business. The Compliance Report makes a statement on the compliance with the Code of Ethics, as well as on the regulations regarding the prevention of asset laundering, and reporting to the Unit of Financial Intelligence (UIF), illegal mining control, protection of personal data, ethics

## 1— Section A

and transparency for public procurement, transparent relations and ethical conduct with clients and providers, regulatory framework of the stock market and information disclosure, tax declaration and payment, foreign commerce regulations, labor rights, among others. The objective is to have a report by the end of the fiscal year and to have achieved progress towards the first semester.

In 2016, a new version of the Code of Ethics came into force, so that all the employees of the organization know the corporate values of the company, and contribute towards their compliance. It was organized according to corporate values instead of around interest groups as the previous version. As part of the dissemination campaign of this new Code, we worked on developing an on-line course, which will enable the training of corporation's employees during the first semester of 2017, aiming to publish its contents and practical application on daily tasks. The implementation

of a complaint channel was approved in order to report possible violations of the code.

### V. TRANSPARENCY AND INFORMATION INTEGRITY

Ferreycorp guarantees the adequate management of information, through the correct and timely dissemination of all matters regarding the corporation that are relevant to shareholders, investors, other interest groups and the market in general. It ensures that information on all relevant matters, including financial situation, business performance, market situation, information on the economic group and delivery of shareholder rights, among others, is presented in a precise and regular manner. It reports quarterly on financial statements, annual report, press material, auditing reports and risk classifications as well as dividend payment dates and other data. It also has a clear policy that has been duly disclosed to

the corporation on the treatment of information, including the definitions of important facts, inside information, and classified information.

Particularly, in response to the good practice of providing the market with several contact points to gather information, Ferreycorp participated in 2016 of various individual and group meetings with investors, many of which took place abroad. We also continued with the quarterly publication of results, analyzing and discussing them, in both English and Spanish, and carrying out conference calls with institutional investor, investment banks and national and foreign analysts every three months. The General, Financial and Investor Relations Managements participated in these meetings. The corporation considers that deploying these mechanisms of distribution of relevant information of the company has enabled the investment of foreign funds to maintain a high participation of shareholding.



## 1— Section A

It must be noted that the corporation produces its financial statements adhering to the international regulations of financial information (NIIF).

### VI. OTHER RELEVANT ISSUES

In addition, the corporation describes below other relevant issues of its field:

#### Transactions among connected subsidiaries

On the other hand, Ferreycorp and its subsidiaries carry out commercial and financial transactions among themselves, which is why we have a price regulation for transfers among the companies of the corporation. According to it, market prices must be considered both in the margin of product sales among companies as in corporate services and shared services fees, rents and the collection of loan interests. These prices are fixed according to mechanisms approved by the auditing firm, which is in

charge of preparing the transfer price report, determining minimum and maximum quartiles both for gross margins collected and interest rates.

In 2016, the corporation has increased the services provided to its subsidiary companies, complying in all cases with the existing regulations. In addition, it submitted the price and transfer report to the National Superintendency of Tax Administration (SUNAT) without any objections.

#### Turnover of the company in charge of validating the report on the compliance with the Principles of Good Corporate Governance

Recently, new regulations for Lima's stock market (BVL) established that the validating firm should rotate every three years in order to include the corporation in the Good Corporate Governance index. Thus, Ferreycorp hired MC&F as a validator following the instructions and parameters

defined by the BVL to review the report on the 2015 fiscal year. The results of the validation of that fiscal year gave a 97.18% of compliance, a level above the 95.91% obtained on the previous year, on the validation carried out by PCR.

#### Participation in the Companies Circle

For over a decade, the corporation has been member of the Companies Circle at the Latin American Round Table Circle of Corporate Governance (Companies Circle), formed by 15 leading companies and exchange brokers for corporate governance in the region. In September 2016, Ferreycorp attended the fourteenth annual meeting of the Companies Circle, which took place in Sao Paulo (Brazil), at the offices of the Stock Market BM&FBovespa. On that occasion, recommendations on good governance were made, based on the experiences and knowledge of the companies that make up the Companies Circle. Through this new effort, the best practices were shared -including the examination of the principles of ethics, and of the function

## 1— Section A

of compliance-, aiming to guide other Latin American companies who wish to follow the path of corporate governance.

In this way, members of the Companies Circle continue to contribute to the agenda of corporate governance in the region, promoting the importance of good practices as a driving force towards creating value in organizations.

### Recognizing Good Corporate Governance

- Second company with best corporate governance practices, among the 27 issued with most liquidity in the Peruvian market, according to the ranking of “La Voz del Mercado” 2016, presented by Ernst & Young (EY) and the BVL.<sup>5</sup>
- Second place in the category Leading Company in Corporate Governance, issued by the Agenda Lideres Sustentables 2020, ALAS20.

- The Ferreycorp stock with over 2,300 shareholders in Peru and abroad was included in the Good Corporate Governance (IBGC) index for the ninth year in a row.<sup>6</sup>

<sup>5</sup> The study which brings about the ranking is the result of an anonymous survey, carried out by GfK, where more than 340 specialists participated, among them institutional investors, financial analysts, risk consultants, company banking, regulators, company directors, academics and business journalists

<sup>6</sup> Ferreycorp, with over 54 years in the Peruvian stock market has been part of the IBGC since its launching in 2008. The issuing companies who are part of IBGC have been recognized for their compliance with the principles of Good Governance for Peruvian Companies

# B— Assessment of Compliance with the Principles of the Good Governance Code for Peruvian Corporations

## PILLAR I: SHAREHOLDER RIGHTS

### Principle 1: Parity of treatment

QUESTION I.1	YES	NO	EXPLANATION
Does the corporation recognize it gives all shareholders belonging to the same class and sharing the same conditions*an egalitarian treatment?	X		The company has a unique class of share: common share, which has the same rights and conditions for everyone.

\* Same Conditions" refers to the particularities that distinguish shareholders, or results in them sharing a characteristic, in their relation with the corporation (institutional investors, non-controlling investors, etc.) It must be noted that this by no means implies the use of inside information.

QUESTION I.2	YES	NO	EXPLANATION
Does the society promote only the existence of voting share classes?	X		The company only has one class of share and each share grants its holder the right to one vote.

a. About the corporation's capital, specify:

Equity capital by the end of the fiscal year	Paid-up capital by the end of the fiscal year	Total number of shares representing the capital stock	Number of voting share
<b>S/ 1,014,326,324.00</b>	<b>S/ 1,014,326,324.00</b>	<b>1,014,326,324</b>	<b>964,117,524</b>

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b. In case the corporation has more than one class of stock, please specify:

Class	Number of shares	Nominal value	Rights(*)

\* On this field, please specify the particular rights each class of stock has which make it different to the rest.

QUESTION I.3	YES	NO	EXPLANATION
In case the corporation has investment shares, does it promote redemption policies, or voluntary exchange of investment shares for ordinary shares?			It does not apply; the corporation does not have investment shares.

**Principle 2: Shareholder participation**

QUESTION I.4	YES	NO	EXPLANATION
a. Does the corporation establish the forms of share representation, and the person appointed for registering the shares in its corporate documentation?	x		The forms of share representations are detailed in the Rules of Incorporation of the corporation, establishing shares may be represented by certificates, by book entries, or by any other legal means. In addition, a person has been appointed in the Internal Conduct Regulations and in the job description of the Securities Executive for registering the shares.

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b. Is the share registry permanently updated?	x		Every day, the Securities Department modifies all data regarding share transfers as soon as it receives information from Cavali, including the number of shares and keeping the registry up to date. The information is then verified every month, against the Cavali reports.
---	---	--	--

State how often is the share registry updated after receiving notice of a variation.

<b>FREQUENCY:</b>	Within the first forty-eight hours	X
	Weekly	
	Others / Describe (in days)	

**Principle 3: Non-dilution of participation in equity capital**

<b>QUESTION 1.5</b>	<b>YES</b>	<b>NO</b>	<b>EXPLANATION</b>
a. It is a policy of the corporation that proposals made by the Board with regard to corporate actions that may affect the non-dilution right of shareholders (i.e. Mergers, spin-offs, equity increase, among others) shall be previously explained by the Board in detailed report, with the independent view of a recognized, professional external adviser appointed by the Board	X		This policy is included in the 15th article of the Board's Rules of Procedure. During the Fiscal Year 2016, such corporate actions have not taken place. In the previous cases of share issuing, the company hired external consultants whose views were presented to the Board.

2— Section B

b. Does the corporation have the policy of providing shareholders with the above-mentioned reports?	X	The corporation has hired external consultants whenever it has issued securities, and reorganized the corporation, and their conclusions have been submitted to the Board. Article 15 of the Board's Rules of Procedure states the corresponding policy, which includes making reports available to shareholders.
---	---	---

In case the corporation has carried out corporate operations under the clause a) of Question 1.5, and has Independent Directors, please explain if in all cases:

**DOES NOT APPLY**

	YES	NO
Was there a positive vote from all Independent Directors for the appointment of an external adviser?		
Did all independent Directors express clearly their approval of the previously mentioned report, and backed, if it were the case, the reasons for their unconformity?		

<sup>1)</sup> Independent Directors are those who have been selected because of their professional experience, reputation, sufficiency and economic independence and disassociation with the corporation, its shareholders or directors.

## 2— Section B

**Principle 4: Information and Communication with shareholders**

QUESTION I.6	SÍ	NO	EXPLANATION
Has the corporation appointed the staff or means for shareholders to receive or require timely, trustworthy and truthful information?	X		<p>Notwithstanding the information responsibilities of the General Manager, and according to the article 190 of the General Business Association Law, the Corporate Finance Manager and the Treasurer receive and answer to any information requests.</p> <p>Also, the people in charge of receiving, processing and answering information requests from shareholders are:</p> <p><b>Fiorella Caro Gutiérrez</b> - Securities officer, is in charge of answering shareholders requests, especially on shareholding, cash dividend release, participation in the Shareholders Meeting, etc.</p> <p><b>Elizabeth Tamayo Maertens</b> - Investor Relations Executive, in charge of tending to information requests from shareholders, investors, analysts, risk classifiers and public in general as well as guaranteeing the fulfillment of the Good Corporate Governance Principle, especially with regard to transparency of information and related issues.</p>

## 2— Section B

a. Please state through which means shareholders receive and/or request information about the corporation

MEANS OF COMMUNICATION	RECEIVE INFORMATION	REQUEST INFORMATION
E-mail	X	X
Telephone	X	X
Corporate Website	X	X
Post	X	X
Informative Meetings	X	X
Others / describe	Website of the Stock Market Superintendency	

b. Does the corporation have a maximum deadline for answering information requests presented by shareholders? If the answer is yes, how long is it?

MAXIMUM AMOUNT OF TIME (DAYS)	3
-------------------------------	---

QUESTION I.7	YES	NO	EXPLANATION
Does the corporation have any mechanisms in place for shareholders to express their opinion on its performance?	X		The definition of the mechanisms for shareholders and investors to express their opinion with regard to the corporation's performance can be found in the Regulations of the Shareholder's General Meeting.

If the answer is yes, please describe the mechanisms the corporation has established for shareholders to express their opinion on its performance.



## 2— Section B

The Corporation has different mechanisms to receive the opinion of shareholders regarding its development: i) on the corporate website there is a link for shareholders to express their opinion, ii) the company has a toll-free line exclusively for shareholders through which they can speak to the executive in charge of the Securities Department; iii) shareholders may get in touch via e-mail or phone with the person in charge of the Investors Relations Department; iv) the General, Finance, Treasury and Investors Relations Management participate of meetings and conferences organized by investment banks, and stockbroker agencies where they meet with investors and listen to their opinions; v) investors may visit the offices and premises of the company; vi) the company encourages shareholders to participate of the meeting and invites them to make questions and comments.

### Principle 5: the Corporation's Dividend distribution

QUESTION I.8	YES	NO	EXPLANATION
a. Is compliance with the dividend policy assessed over a defined period?	X		Every year, we publish in our corporate website a table with the distribution of profits approved by the General Meeting of Shareholders and the dividends to be distributed. This same information is presented in each General Meeting when the distribution of profits is discussed.
b. Are shareholders aware of the dividend policy through the corporate website among other means of communication?	X		

## 2— Section B

a. Please describe the dividend policy the corporation that applies on the fiscal year.

<b>APPROVAL DATE</b>	<b>26 MAR 2013</b>
Dividend Policy (Criteria for the distribution of profits)	The policy establishes that "the dividends to be distributed in cash amount to 5% of the nominal value of the shares issued at the time the meeting is called, and may add up to 60% of the free access profits. In case 5% of the nominal value of the shares issued at the time the meeting is called, is below 60% of the free access profits obtained at the end of the fiscal year, the meeting may distribute a greater dividend in cash, whose limit will be 60% of the free access profits."

b. Please state the dividends in cash and shares distributed by the corporation during this fiscal year and in the previous one.

PER SHARE	DIVIDENDS PER SHARE			
	Common share		Previous fiscal year being reported	
	In cash	In shares	In cash	In shares
<b>ACCIÓN COMÚN</b>	0.08866	-	0.06000	-

### Principle 6: Takeover or change of control

QUESTION I.9	YES	NO	EXPLANATION
Does the corporation have policies or agreements in order not to adopt any anti-absorption mechanisms?	X		The corporation does not have any policies or agreements to adopt anti-absorption mechanisms

## 2— Section B

Please state if your corporation has established any of the following measures

	YES	NO
A minimum number of shares required to become a Director		X
A minimum amount of years as Director in order to be appointed Chairman of the Board		X
Compensation agreements for executives/officers for any changes resulting from an OPA (take-over bid).		X
Other similar measures/ please describe		

QUESTION I.10	YES	NO	EXPLANATION
a. Does the corporation's Rules of Incorporation include a mediation agreement that recognizes that any disputes among shareholders or among shareholders and the board, as well as any contestation of agreements of the GSM and of the Board by the corporation's shareholders will be solved by legal arbitration?	X		After evaluating this innovation in the new principles of corporate governance, the company has proposed at the 2016 Shareholders Meeting, a change in the Rules of Incorporation to include an arbitration clause
b. Does that clause enable an independent third party to solve the disputes, except when an express legal reserve has been set by ordinary courts?	X		The clause on mediation approved in the Rules of Incorporation establishes that disputes will be solved by the unquestionable decision of an arbitration tribunal, made up by three (3) members. The arbitration shall be legal, and handled by the Arbitration Center of the Lima Chamber of Commerce or that of the American Chamber of Commerce of Peru (Amcham-Peru) to be chosen by the person setting forward the dispute, and which will subject to the Arbitration Regulations of the above mentioned Center and will take place in the city of Lima.

## 2— Section B

In case any GSM or Board agreements have been disputed by any of the shareholders or any persons involved in the corporation during the fiscal year, please state how many.

<b>NUMBER OF DISPUTES ON GSM AGREEMENTS</b>	0
<b>NUMBER OF DISPUTES ON BOARD AGREEMENTS</b>	0

### PILLAR II: GENERAL SHAREHOLDER'S MEETING

#### Principle 8: Function and competence

QUESTION II.1	YES	NO	EXPLANATION
Is the approval of the Board's remuneration policy an exclusive function of the GSM which cannot be delegated?	X		The Board's remuneration policy is established in the Rules of Incorporation of the Corporation which was approved by the GSM.

Please state if the following functions are exclusive of the GSM, if your answer is negative, please explain which body is in charge of them.

	YES	NO	BODY
Arranging special investigations and audits	X		This is not an exclusive power of the GSM, and can be also exercised by the Board/Management.
Agreeing modifications to the Rules of Incorporation	X		
Agreeing to increase the equity capital	X		
Agreeing to distribute advanced dividends	X		
Appointing external auditors	X		

2— Section B

**Principle 9: Regulations of the General Shareholder's Meeting**

QUESTION II.2	YES	NO	EXPLANATION
Does the corporation have Regulations for the GSM, which are binding, and whose non-compliance shall give rise to liabilities?	X		The Regulations of the GSM indicate that the application of both the Rules of Incorporation and the Internal Regulations of the Shareholder's Meeting are mandatory for their corresponding instances and are therefore binding, meaning that non-compliance will give rise to liabilities.

If there are GSM Regulations, please indicate if they establish procedures for:

	YES	NO
Calling the Meeting	X	
Shareholders to add items to the agenda	X	
Providing shareholders with additional information before the meeting	X	
The development of the meetings	X	
The appointment of the members of the Board	X	
Other relevant actions/ Please Describe		

## 2— Section B

**Principle 10: Calling mechanisms**

QUESTION II.3	YES	NO	EXPLANATION
<p>Beyond the calling mechanisms established by law, does the corporation have calling mechanisms that enable it to establish contact with the shareholders, particularly those that do not participate of the control or management of the corporation?</p>	X		<p>The company prepares a letter for shareholders, a proxy statement, with the items of the agenda, and a letter of attorney. These documents are given to shareholders, posted on the website, and sent to the SMV as an "Important Fact". The company then contacts the proxy voting team of investors, in order to solve any doubts that may arise about the items on the agenda, and ensuring not only that there is a quorum but also quality voting. In all meetings with investors, it is announced that the GSM will take place in March in order to ensure participation. Moreover, the person in charge of the Securities Department personally calls all shareholders and engages in following up their attendance to the meeting.</p>

## 2— Section B

a. Complete the following information for each of the Meetings that have taken place during the fiscal year:

Calling date	Meeting Date	Venue of the Meeting	Type of meeting		Universal Meeting		Quorum %	N° of shareholders	Participation (%) of the total amount of shares with voting rights		
			Special	General	Yes	No			Through power of attorney	Direct Exercise (*)	Did not use their right to vote
4 MAR 2016	30 MAR 2016	Jr. Cristóbal de Peralta Norte 820, Monterrico, Santiago de Surco		X		X	78.9375%	113	31.78%	47.16%	21.06%

<sup>(\*)</sup> Direct exercise comprehends voting by any means or modalities that do not imply representation.

a. Which means, beyond those mentioned in the article 43 of the Law of Business Associations and those covered by the Relevant Fact and Classified Information regulations, did the corporation use to disseminate the callings for the Meetings during the fiscal year?

E-mail	x	Post	x
Telephone	x	Social Media	
Corporate website	x	Others/ describe	x

2— Section B

QUESTION II.4	YES	NO	EXPLANATION
Did the corporation provide shareholders with all the information regarding the items in the agenda of the GSM, and the proposals (motions) of the agreements to be taken?	X		Shareholders are provided, before the meeting, with the items in the agenda to be discussed and the development of the motions and documents to be approved, such as the Annual Report Minutes, and Financial Statements, which are communicated as "Important Facts". At the meeting, they receive a printed copy of the Annual Report to be approved, as well as the Financial Statements audited.

Did the callings made by the corporation during the fiscal year:

	YES	NO
Indicate where to find the information regarding the items of the agenda to be discussed at the meetings?	X	
----- Include items in the agenda such as "other matters", "Miscellaneous" or other such terms?		X



## 2— Section B

**Principle 11: Agenda items proposal**

QUESTION II.5	YES	NO	EXPLANATION
Do GSM Regulations include mechanisms that enable shareholders to exercise their right to propose items for the agenda to be discussed at the GSM, and procedures in order to accept or refuse those proposals?	X		The GSM Regulations establish that shareholders may get in touch by letter, e-mail or Ferreycorp's website with the Chairman of the Board, preferably before February 15th, and at the latest by the calling closing date, asking to include any matters of relevant importance that may affect the rights of shareholders. The Chairman will submit it to the Board who will approve the calling to the General Meeting and establish the items of the agenda. The Board will evaluate the shareholder's requests, and if they consider they are of social interest, will proceed to include them in the agenda. In case the Board dismisses any of these requests, it will let the requesting shareholder know through a written communication of its Chairman, justifying the decision, on the day following the Board's meeting.

- a. Please state the number of requests to include items in the agenda of the GSM presented by shareholders during the fiscal year and their outcomes:

NUMBER OF REQUESTS		
Received	Accepted	Dismissed
0	0	0

2— Section B

b. In case any requests to include items in the agenda of the GSM have been dismissed during the fiscal year, please state whether the corporation justified this decision to the requesting shareholders.

NOT APPLICABLE

YES

NO

**Principle 12: Procedures for voting**

QUESTION II.6	YES	NO	EXPLANATION
Does the corporation have mechanisms that enable shareholders to vote in spite of physical distance by secure electronic or postal means, which guarantee that the person casting the vote is actually the shareholder?	X		Shareholders who are not present at the GSM may vote remotely, through their custodian bank, which receive their voting instructions and represent them at the meeting. In addition, shareholders are entitled to send their powers of attorney by post where they may state their voting intentions.

a. If applicable, please state the mechanisms or means the corporation has in place for remote voting.

Voting by electronic means	x	Voting by postal means
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b. In case remote voting has taken place during the fiscal year, please provide the following information:

Meeting date	% remote vote				% remote vote/ total
	By post or e-mail	Corporate website	By post	Others	
30 MAR 2016				100	2.56

## 2— Section B

QUESTION II.7	YES	NO	EXPLANATION
Does the corporation have corporate documents that clearly specify that shareholders may vote separately on those matters that are substantially independent, so that they may cast their votes separately?	X		The meeting regulations, in their 15th article state that shareholders may vote separately on those matters that are substantially independent, so that they may cast their votes separately

Please state whether the corporation has corporate documents that clearly specify that shareholders may vote separately for:

	YES	NO
The appointment or ratification of the Directors by voting individually for each of them.	X	
The amendment of the Rules of Incorporation, for each article, or article group that are substantially independent.	X	
Others/ describe		

QUESTION II.8	YES	NO	EXPLANATION
Does the corporation enable, those who represent several shareholders, to cast differentiated votes for each shareholder in order to allow them to comply with the instructions of each person being represented?	X		

**Principle 13: Delegation of voting rights**

QUESTION II.9	YES	NO	EXPLANATION
Does the corporation's Rules of Incorporation enable shareholders to delegate their vote to anyone?	X		

## 2— Section B

In case the answer was negative, please state whether the Rules of Incorporation limits the right of representation to any of the following persons:

NOT APPLICABLE	YES	NO
Another shareholder		
A Director		
A manager		

QUESTION II.10	YES	NO	EXPLANATION
a. Does the corporation have in place procedures that describe the conditions, means and formalities to be complied when votes are delegated?	X		
b. Does the corporation provide shareholders with a standard letter of representation, including data on the representatives, the items the shareholder is delegating their vote on, and when applicable, their likely vote for each of the proposals?	X		For the 2016 Shareholders meeting, shareholders were sent a proxy statement including the agenda and a model letter of representation, with a space for each shareholder to include data on the person representing them at the meeting, as well as the items in the agenda and a space to state their likely vote.

Please describe que requirements and formalities needed for a shareholder to be represented at the Meeting:

Formality (please state if the corporation demands a simple letter, notarized letter, public deed or other).	Simple letter
Anticipation (how many days before the Meeting must the power of attorney be presented by)	1
Cost (state whether a payment must be made to the corporation for this purpose, and how much is it).	None

## 2— Section B

QUESTION II.11	YES	NO	EXPLANATION
<p>a. Does the corporation have a policy on limiting the percentage of votes delegated to members of the Board and Senior Management?</p>	X		<p>The article 10 of the Shareholders Meeting Regulations was amended in order to limit the percentage of votes delegated to members of the Board and Senior Management. It establishes that whenever vote representation or delegation is conferred to the Chairman of the Board, a Director, or the General Management of the corporation, they may represent an amount of shares representing a maximum of 20% of the capital. The allocation of attorney powers will take place according to the date and time the letters of attorney are received by the corporation. In case the 20% is exceeded, the corporation will establish a secondary representative for those votes, in case the shareholder did not appoint another person to that end, as specified on the representation format. For the 2016 GSM the attorney letter sent to shareholders included a paragraph mentioning the limit.</p>
<p>c. Whenever votes are delegated to members of the Board or Senior Management does the corporation have the policy that shareholders delegating their votes should clearly announce their likely vote?</p>	X		<p>This policy has been included in the Shareholders Meeting Regulations. The policy states that all shareholders should express their likely vote and not only those who give power of attorney to members of the Board and Senior Management.</p>

2— Section B

**Principle 14: Monitoring GSM agreements**

QUESTION II.12	YES	NO	EXPLANATION
a. Does the corporation monitor the agreements reached at the GSM?	X		During the 2016 fiscal year, we monitored the Important Fact published on March 30th announcing the agreements of the meeting: the approval of the Financial Statement and Annual Report Minutes, payment of dividends in cash, amendment of the Social Rules of Incorporation and appointment of external auditors. The corporation monitors the agreements through the Board, General Management, Financial Management, and Corporate Affairs Management.
b. Does the corporation issue periodical reports to the Board that are made available to shareholders?	X		The Management issues a report to the Board's Appointments, Remunerations and Corporate Governance Committee, on the progress of the agreements made at the Shareholders Meeting, which is then published on the corporate website so shareholders may access it.

If applicable, state which is the area and/or person in charge of monitoring the agreements reached at the GSM. In case it is a person in charge, please state their position and area of work.

Area in charge	General Management	
PERSON IN CHARGE		
Name	Position	Area
Mariela Garcia Figari de Fabbri	General Manager	General Management

## 2— Section B

## PILLAR III: THE BOARD AND SENIOR MANAGEMENT

## Principle 15: Makeup of the Board

QUESTION III.1	YES	NO	EXPLANATION
Is the Board made up by people with different specialties and competences, who are honorable, ethical, economically independent, have enough availability and other relevant qualities for the corporation, so that there are various approaches and opinions?	X		

a. Please provide the following information about the members of the corporation's Board during the fiscal year.

NAME	PROFESSIONAL TRAINING (*)	DATE		SHAREHOLDING(****)	
		Begin (**)	End (***)	N° of shares	Part. (%)

DIRECTORS (WITHOUT INCLUDING INDEPENDENT DIRECTORS)					
Óscar Espinosa Bedoya	Civil Engineer. Universidad Nacional de Ingenieria Postgraduate degree in Engineering. North Carolina State University, U.S.A. Master's Degree, Harvard University Diploma Course Economic Development ISVE, Italia Postgraduate Degree in Economics. Inst. Economy Univ. of Colorado CEO Management Program, Kellogg School, Northwestern University Diploma Course, PAD Universidad de Piura. He also participates of 10 other boards, one of them of a company belonging to the economic group.	01 JUL 1987			

## 2— Section B

NAME	PROFESSIONAL TRAINING (*)	DATE		SHAREHOLDING(****)	
		Begin (**)	End (***)	N° of shares	Part. (%)
<b>DIRECTORS (WITHOUT INCLUDING INDEPENDENT DIRECTORS)</b>					
Carlos Ferreyros Aspillaga	Business Administrator, Princeton University U.S.A. He also participates of 2 other boards, one of them of a company belonging to the economic group.	10 JAN 1971			
Manuel Bustamante Olivares	Studied at the Faculty of Law of the Pontificia Universidad Catolica del Peru. He participates of 9 other boards, one of them of a company belonging to the economic group.	31 MAR 2011			
Juan Manuel Peña Roca	Civil Engineer, Universidad Nacional de Ingenieria. He participates of 7 other boards, one of them of a company belonging to the economic group.	28 DEC 1984			
Andreas von Wedemeyer Knigge	Master's in Business Management (DiplomKaufmann), Hamburg University, Germany. He studied in the Program for Management Development (PMD) and others at the Harvard Business School, U.S.A., and at Universidad de Piura. He participates in 18 other boards, one of them of a company belonging to the economic group.	07 JUL 2003			
<b>INDEPENDENT DIRECTORS</b>					
Carmen Rosa Graham Ayllón	Degree in Business Management, Universidad del Pacifico. Participated in System Engineering and Executive Development programs in IBM Corporation, Georgetown University, Harvard Business School, Universidad de Monterrey and Adolfo Ibañez School of Management. She participates in 5 other boards, one of them of a company belonging to the economic group.	31 MAR 2011			



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NAME	PROFESSIONAL TRAINING (*)	DATE		SHAREHOLDING(****)	
		Begin (**)	End (***)	N° of shares	Part. (%)
<b>INDEPENDENT DIRECTORS</b>					
Aldo Defilippi Traverso	Bachelor's Degree in Economics at the Universidad del Pacifico, Master's Degree in Economic Policy and Development, Boston University, Ph. D. Candidate in Economics, Boston University Chief Executive Officers' Program, Northwestern University. He participates in 10 other boards one of them of a company belonging to the economic group.	22 MAR 2005			
Ricardo Briceño Villena	Graduate in Industrial Engineering, at the Universidad Nacional de Ingenieria, Masters in Economics and Finances, at Universities in Leuven and Antwerp, in Belgium. He participates of 4 other boards, one of them of a company belonging to the economic group.	31 MAR 2011			
Eduardo Montero Aramburú	Bachelor's Degree in Economics, Lehigh University, U.S.A. Masters in Business Management, Wharton School of Finance and Commerce, University of Pennsylvania, U.S.A. He participates of 3 other boards, one of them belonging to a company of the same economic group.	28 MAR 1980			
Raúl Ortiz de Zevallos Ferrand	Lawyer, Bachelor's Degree in Law, Pontificia Universidad Catolica del Peru. He participates of 9 other boards, one of them of a company belonging to the same economic group.	31 MAR 2011			

(\*) Please state whether the Director participates of other Boards, specifying how many and whether they belong to the economic group of the corporation. For this purpose, use the definition of economic group mentioned in the Indirect Property, Association and Economic Groups Regulations.

(\*\*) Corresponds to their first appointment in the corporation.

(\*\*\*) Only in case they have vacated the position of Director during the fiscal year.

(\*\*\*\*) Only to be applied to Directors whose capital stock is equal to or greater than 5% of the shares of the corporation.

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% of shares held by the Directors	1.18
-----------------------------------	------

State the number of Directors of the corporation who belong to each of the following age-ranges:

Under 35	Between 35 and 55	Between 55 and 65	Over 65
0	0	4	6

a. Please state whether there are specific requirements to become Chairman of the Board, beyond those needed to be appointed Director:

YES  NO

In case the answer is positive, please specify those requirements.

--

b. Does the Chairman of the Board have a casting vote?

YES  NO

QUESTION III.2	YES	NO	EXPLANATION
Does the corporation avoid appointing deputy or alternate Directors, especially because of quorum?	X		

## 2— Section B

In case there are alternate or deputy Directors, please specify:

Full name of alternate or deputy Director	Begin (*)	End (**)

(\*) Corresponds to the first appointment as alternate or deputy Director of the Corporation

(\*\*) Only to be completed in case they have vacated the alternate or deputy Director position during the fiscal year.

QUESTION III.3	YES	NO	EXPLANATION
Does the corporation disclose the names of the Directors, their independent status and their resumas?	X		

Please state by which means the corporation discloses the following information on the Directors:

	E-MAIL	WEBSITE	POST	DOES NOT INFORM	OTHERS / DESCRIBE
Name of Directors		X			Annual report/Other reports
Their independent status		X			Annual report/Other reports
Resuma		X		X	Annual report/Other reports

## 2— Section B

### Principle 16: Functions of the Board

QUESTION III.4	YES	NO	EXPLANATION
Is it a function of the Board:	X		
a. To approve and lead the corporation's corporate strategy?	X		
b. To establish objectives, goals and plans of action including annual budgets and business plans?	X		
c. To control and supervise the management and be responsible for the governance and administration of the corporation.	X		
d. Supervise good corporate governance practices and establish the policies and measures needed in order to improve their application.	X		

**a.** Specify other relevant powers of the corporation's Board

- a). Call the General Shareholder's Meeting.
- b). Establish regulations for its own operation.
- c). Evaluate, approve and lead the corporate strategy, the business plan and the annual budgets of the corporation and its subsidiaries, as the main activity of the corporation is to invest on the business of its subsidiary companies, having up to a 99% of shareholding in some of them.
- d). Establish the Board Committees and appoint their members, among which it must include independent directors.
- e). Present every year the annual report, the general balance and the profit and loss statements, to the shareholders with recommendations on how to apply the profits.
- f). Ensure the integrity of the financial statements and the accounting systems, as well as the existence of risks control systems.
- g). Accept the resignations of its members and fill the vacancies in all cases stipulated by the law and the Rules of Incorporation .

## 2— Section B

- h). Appoint and remove the general manager if they consider it is convenient or necessary for all other officers of the corporation, determining their obligations and granting or withdrawing powers with the authorities they consider appropriate
- i). In general, grant the powers of attorney they consider appropriate.
- j). Supervise all the corporation's businesses, and has the power to control all the corporation's ledgers, particularly those of its subsidiary companies.
- k). Agree the distribution of advanced dividends on account of the results of the fiscal year, whenever the shareholder's meeting delegates that power on it.
- l). Decide on all commercial, financial, and administrative matters that are convenient for achieving the corporate purpose, without any restrictions regarding amount.
- m). Alienate and or dispose of assets of the company, as long as their book value at the time of extrication is not more than 50% of the corporation's capital.
- n). Establish security arrangements, such as personal property guarantees, mortgages, bonds, warrants, and endorsements among others for movable and immovable assets of the corporation in order to secure the various operations of the corporation and its subsidiaries or affiliates, as well as modifying the terms of the guarantees given and agree the adherence of the corporation to the necessary documentation for the constitution, modification and cancellation of those guarantees.
- o). Supervise compliance with the established policy for the management of confidential information, be it classified or inside information, according to the norms agreed by the corporation, the entities and regulatory bodies.
- p). Ensure compliance with the corporation's Code of Ethics, and approve its amendments and modifications.
- q). Delegate the power to execute agreements made by the Board on directors and/or officers, as long as they have been expressly authorized to sign all public and private documents required for the exercise of such legal representation and to carry out the processes and procedures needed to implement those agreements.
- r). Evaluate regularly its own management.
- s). Exercise the other powers that appear expressly or implicitly in the Rules of Incorporation.

b. Does the Board delegate any of its functions?

YES

NO

## 2— Section B

Please state, if applicable, which are the main functions of the Board that have been delegated, and which body they have been delegated to:

Functions	Body / Area those functions have been delegated to

### Principle 17: Duties and rights of the members of the Board

QUESTION III.5	YES	NO	EXPLANATION
Are the members of the Board entitled to:	X		
a. Request the Board assistance or input from experts?			
b. Participate in induction programs on their powers and responsibilities and to be duly informed on the organizational structure of the corporation.	X		
c. Receive remuneration for their work, which combines recognition of their professional experience and the dedication they show the corporation with a rational criteria.	X		

In case specialized advisers have been hired during the fiscal year, please state whether the list of specialized advisers of the Board, who have worked during the fiscal year to help with the corporation's decision-making, has been made available to shareholders.

NOT APPLICABLE

YES

NO

## 2— Section B

If applicable, please state whether any of the specialized advisers is related in any way to a member of the Board and/or Senior Management (\*).

**NOT APPLICABLE**

**YES**

**NO**

<sup>(\*)</sup> For the term related, we apply the relation criteria included in the Regulations for Indirect Property, Association and Economic Groups.

a. Please state whether the corporation carried out induction programs for the new members entering the corporation.

**YES**

**NO**

b. Please state the percentage representing the total amount of payments and annual bonuses given to the Directors with regard to the gross income, according to the corporation's financial statements.

**YES**

**NO**

Payments	(%) Gross Income	Bonuses	(%) Gross Income
Directors (without including independent directors)	0.035%	Delivery of shares	
Independent Directors	0.035%	Delivery of options	
		Delivery of money	
		Others (please specify)	

2— Section B

**Principle 18: Board Regulations**

QUESTION III.6	YES	NO	EXPLANATION
Does the corporation have Regulations for the Board, which are binding, and whose non-compliance shall give rise to liabilities?	X		

Please state whether the Board Regulations include:

	YES	NO
Policies and procedures for its operation	X	
Board's organizational structure	X	
Functions and responsibilities of the Chairman of the Board	X	
Procedures for identifying, evaluating and nominating candidates to become members of the Board, who are proposed at the GSM	X	
Procedures in case of vacancy, cessation and succession of the Directors.	X	
Others / please specify		

**Principle 19: Independent Directors**

QUESTION III.7	YES	NO	EXPLANATION
Is at least one third of the Board constituted by Independent Directors?	X		



## 2— Section B

Please state which of the following conditions the corporation considers in order to classify their Directors as independent:

	YES	NO
Not being a Director or employee of a company of the same business group, unless between three (3) or five (5) years have passed, since the termination of that relationship respectively. -----	x	
Not working for a shareholder whose stock ownership amounts to, or is more than five percent (5%) of the corporation. Included in GSM Regulations -----	x	
Not exceeding eight (8) consecutive years as Independent Director of the corporation. -----		x
Not having or having had within the last three (3) years a commercial or contractual business relation, be it direct or indirect and of a significant nature (*), with the corporation or any other company of the same group. Included in GSM Regulations -----	x	
Not being spouse, or having any family relationship in first or second degree of consanguinity, or in first degree of affinity with shareholders, members of the Board or the Senior Management of the corporation. Included in GSM Regulations -----	x	
Not being director or member of the Senior Management of another company in which any Director or member of the Senior Management is part of the Board. -----		x
Not having been in the last eight (8) years member of the Senior Management or employee of the corporation, of companies of the same group or of companies who own shares of the corporation. Included in GSM Regulations -----	x	
Not having been in the last three (3) years partner or employee of the external Auditor of any corporation of the same group. -----	x	
Others / Please specify		

<sup>(\*)</sup> A business relation will be considered significant when any of its parts has issued invoices or payments for more than 1% of their annual income.

## 2— Section B

QUESTION III.8	YES	NO	EXPLANATION
a. Does the Board state that the candidate it proposes is independent based on the inquiries it carries out and on the candidate's own declarations?	X		At the most recent Board election, which took place in 2014, the resumes of the candidates for the Board were published in the Governance Statement, stating their situation of independence where applicable. A form has been created in order for the director to declare his or her independence with regard to the independent director criteria.
b. Do candidates to become Independent Directors state their condition of independence to the corporation, its shareholders and managers?		X	There was no declaration at the most recent election. However, independent directors declare their independence in a form that was created based on the criteria for independent director.

**Principle 20: Board's operability**

QUESTION III.9	YES	NO	EXPLANATION
Does the board have a working plan that contributes to the efficiency of its functions?	X		

QUESTION III.10	YES	NO	EXPLANATION
Does the corporation provide its Directors with the channels and procedures needed in order to participate more efficiently of Board meetings, even in a remote manner?	X		

## 2— Section B

a. Please answer, with regard to the Board meetings carried out during the fiscal year:

Number of sessions carried out	12
Number of sessions without calling (*)	0
Number of sessions in which the Chairman of the Board was not present	1
Number of sessions in which one or more Directors were represented by deputy or alternate Directors	0
Number of Senior Directors who were represented at least once	0

<sup>(\*)</sup> On this field, the number of sessions that have taken place under the provisions of the last paragraph of article 167 of the LGS must be mentioned.

b. Please state the percentage of assistance of Directors to the Board meetings during the fiscal year

NAME	% of attendance
Óscar Espinosa Bedoya	92%
Carlos Ferreyros Aspillaga	92%
Ricardo Briceño Villena	83%
Manuel Bustamante Olivares	92%
Aldo Defilippi Traverso	83%
Carmen Rosa Graham Ayllón	92%
Eduardo Montero Aramburú	75%
Raúl Ortiz de Zevallos Ferrand	100%
Juan Manuel Peña Roca	92%
Andreas Von Wedemeyer Knigge	83%

2— Section B

c. Please state how long before the Board meeting are Directors provided with all the information regarding the points to be discussed at the meeting

	UNDER 3 DAYS	BETWEEN 3 AND 5 DAYS	MORE THAN 5 DAYS
Non-confidential information			X
Confidential information			X

QUESTION III.11	YES	NO	EXPLANATION
a. Does the Board carry out at least once a year an objective assessment of the performance of its members, and of itself acting as a body?	X		
b. Is self-assessment alternated with assessments made by external advisers?	X		An external adviser was hired for the Evaluation of the Board's performance for the 2014 fiscal year, this will take place every two years, An external evaluation was carried out for the 2014 fiscal year, and another one shall take place for the year 2016.

a. Please state whether the Board's performance has been assessed during the fiscal year.

	YES	NO
Acting as body	X	
assessment of its members	X	

## 2— Section B

In case the answer to the previous question was positive, for any of the fields, please provide the following information for each assessment:

Assessment	SELF-ASSESSMENT		EXTERNAL ASSESSMENT		
	Date	Published (*)	Date	Entity in charge	Published (*)
	9 JAN 2017	No	In progress	PCR	No

<sup>(\*)</sup> Please answer yes or no, to state whether shareholders have been informed about the assessment.

### Principle 21: Special committees

QUESTION III.12	YES	NO	EXPLANATION
a. Does the Board of the corporation create special committees to focus on the analysis of the most relevant aspects for the corporation's performance?	X		
b. Does the board approve the set of regulations for each of the special committees it creates?	X		
c. Are special committees chaired by independent Directors?	X		The special committees of Appointments, Payments and Corporate Governance, Auditing and Risks and Innovation and Systems are chaired by independent Directors.
d. Have special committees been assigned a budget?		X	

## 2— Section B

QUESTION III.13	YES	NO	EXPLANATION
Does the corporation have an Appointments and Remunerations Committee in charge of appointing candidates to become members of the Board, which are proposed at the GSM by the Board, as well as approving the Senior Management's system of remunerations and incentives?	X		The functions of the Appointments, Remunerations and Corporate Governance Committee include receiving and processing Director appointments, as well as suggesting a remuneration policy.

QUESTION III.14	YES	NO	EXPLANATION
Does the corporation have an Auditing Committee that supervises the efficiency and suitability of the system of internal and external control of the corporation, the corporation's auditing work or the independent auditor, as well as the compliance with the legal and professional independence regulations?	X		The Auditing Committee meets with internal and external auditors.

a. Please state whether the society also has in place the following Special Committees:

	YES	NO
Risks Committee	X	
Corporate Governance Committee	X	

## 2— Section B

b. In case the corporation has Special Committees, please provide the following information about each committee

<b>COMMITTEE NAME:</b>	General Management and Strategy Committee		
<b>CREATION DATE:</b>	26 JAN 2005		
<b>MAIN FUNCTIONS:</b>	<p>a). Contributing towards creating strategic plans and annual business plans</p> <p>b). Ensuring subsidiary companies function properly.</p> <p>c). Making recommendations to the Board on investment policies, as well as on the acquisition and disposal of fixed assets.</p> <p>d). Evaluating the level of debt of the corporation, as well as the structure of liabilities, doing a follow-up on the debt and the guarantees it provides.</p> <p>e). Reviewing the reports presented by the management on the state of the main assets, such as the corporation's inventory and outstanding receivables.</p> <p>f). Function as an advisory and consultation body for the Management of issues it must consider.</p>		
<b>MEMBERS OF COMMITTEE (*):</b>	<b>DATE</b>		<b>POSITION IN THE COMMITTEE</b>
<b>FULL NAMES</b>	<b>STARTING (**)</b>	<b>END (***)</b>	
<b>Óscar Espinosa Bedoya</b>	26 JAN 2005		President
<b>Carlos Ferreyros Aspillaga</b>	26 JAN 2005		Regular Member
<b>Eduardo Montero Aramburú</b>	26 JAN 2005		Regular Member
<b>Juan Manuel Peña Roca</b>	26 JAN 2005		Regular Member
<b>Ricardo Briceño Villena</b>	27 APR 2011		Regular Member
<b>Aldo Defilippi Traverso</b>	31 AUG 2016		Alternate
<b>Andres von Wedemeyer K.</b>	31 AUG 2016		Alternate
<b>Manuel Bustamante</b>	31 AUG 2016		Alternate
% Independent Directors in the Committee			40%
Number of sessions during the fiscal year:			2
Has delegated faculties according to the article 174 of the Law of Business Associations:	<b>YES</b>	X	<b>NO</b>
The committee or its President participate in the GSM	<b>YES</b>	X	<b>NO</b>

## 2— Section B

<b>COMMITTEE NAME:</b>	Appointment, Compensations and Corporate Governance Committee		
<b>CREATION DATE:</b>	26 JAN 2005		
<b>MAIN FUNCTIONS:</b>	<ul style="list-style-type: none"> <li>a). Reviewing the progress of the organizational development programs through reports on the management structure, and human resources programs.</li> <li>b). Reviewing the reports presented by the management on recruitment and selection programs, performance management, wage policy, training and development among others, and draft recommendations accordingly, taking into account all the information they have on different business practices.</li> <li>c). Reviewing reports on the hiring of the main executives, the wage scale of management and executive positions, and on the supervision the General Management carries out on its performance.</li> <li>d). Ensuring the effectiveness of governance practices it adheres to, proposing or approving improvements for the corporation's governance.</li> <li>e). Reviewing the self-assessment of the Principles of Good Corporate Governance presented in the Annual Report of the Corporation.</li> <li>f). Approving the policy of information through the Internal Norms of Conduct and taking a stand, whenever necessary, on the classification of certain facts as "Important Facts" and Inside or Classified Information.</li> <li>g). Identifying the possible sources of conflict of interest among the management, directors and shareholders, as well as supervising the management's monitoring of such matters.</li> <li>h). Receiving and processing the nomination of directors.</li> <li>i). Suggesting a policy and procedures for the remuneration of the Board.</li> </ul>		
<b>MEMBERS OF COMMITTEE (*):</b>	<b>DATE</b>		
<b>FULL NAMES</b>	<b>STARTING (**)</b>	<b>END (***)</b>	<b>POSITION IN THE COMMITTEE</b>
<b>Raúl Ortiz de Zevallos</b>	27 APR 2011		President
<b>Óscar Espinosa Bedoya</b>	26 JAN 2005		Regular Member
<b>Carlos Ferreyros Aspíllaga</b>	26 JAN 2005		Regular Member
<b>Aldo Defilippi Traverso</b>	26 JAN 2005		Regular Member
<b>Juan Manuel Peña</b>	31AUG 2016		Regular Member



## 2— Section B

<b>Manuel Bustamante</b>	31AUG 2016		Regular Member
<b>Eduardo Montero</b>	31AUG 2016		Alternate
<b>Ricardo Briceño Villena</b>	31AUG 2016		Alternate
<b>Carmen Rosa Graham</b>	31AUG 2016		Alternate
% Independent Directors in the Committee			33%
Number of sessions during the fiscal year:			3
Has delegated faculties according to the article 174 of the Law of Business Associations:			<b>YES</b> X <b>NO</b>
The committee or its President participate in the GSM			<b>YES</b> X <b>NO</b>

<b>COMMITTEE NAME:</b>	Committee of Auditing and Risks
<b>CREATION DATE:</b>	26 JAN 2005
<b>MAIN FUNCTIONS:</b>	<ul style="list-style-type: none"> <li>c). Proposing the appointment of external auditors in coordination with the management. Knowing the working plan of the external auditor and having periodical meetings to be aware of the development of their work, as well as making recommendations at the end of the review, so as to ensure the integrity of the accounting systems for a correct external auditing.</li> <li>b). Reviewing and analyzing periodically the financial statements of the corporation as well as the external auditor's reports.</li> <li>c). Being aware of the work the internal auditor has carried out during the year, and receiving quarterly reports on their advances and the implementation of correctives and improvements.</li> </ul>

## 2— Section B

MEMBERS OF COMMITTEE (*): FULL NAMES	DATE		POSITION IN THE COMMITTEE
	STARTING (**)	END (***)	
<b>Ricardo Briceño</b>	31 AUG 2016		President
<b>Óscar Espinosa Bedoya</b>	26 JAN 2005		Regular Member
<b>Carlos Ferreyros Aspíllaga</b>	26 JAN 2005		Regular Member
<b>Andres von Wedemeyer K.</b>	26 JAN 2005		Regular Member
<b>Manuel Bustamante</b>	27 APR 2011	31 AUG 2016	
<b>Carmen Rosa Graham</b>	27 APR 2011		Regular Member
<b>Raúl Ortiz de Zevallos</b>	31 AUG 2016		Regular Member
<b>Juan Manuel Peña</b>	31 AUG 2016		Alternate
% Independent Directors in the Committee			50%
Number of sessions during the fiscal year:			4
Has delegated faculties according to article 174 of the Law of Business Associations:	<b>SÍ</b>	X	<b>NO</b>
The committee or its President participate in the GSM	<b>SÍ</b>	X	<b>NO</b>

## 2— Section B

The following committee has been created; it has met since 2015:

<b>COMMITTEE NAME:</b>	Innovation and Systems Committee		
<b>CREATION DATE:</b>	27 AUG 2014		
<b>MAIN FUNCTIONS</b>	<ul style="list-style-type: none"> <li>a). Contributing towards creating and strengthening the innovation strategy of the corporation, in line with its long-term development.</li> <li>b). Giving the Board's support to the creation of corporate innovation processes and providing them with the resources they need.</li> <li>c). Supporting actions aimed at mitigating technological and information security risks. In particular it has the following functions: <ul style="list-style-type: none"> <li>a). To review management reports on the corporation's innovation and technology strategies, as well as those of its subsidiaries which must be clearly in line with the goals of the business and the improvement of competitiveness.</li> <li>b). To receive reports from the management on the implementation of the innovation plan in different areas of the business and on the technological projects portfolio.</li> <li>c). To make recommendations to the Board for the allocation of resources and actions required for the optimum implementation of the innovation plan and of the technological project portfolio.</li> </ul> </li> <li>d). To provide advice to the Board for the compliance of its responsibilities on technological matters, providing them with reports which analyze and review the technological and information security risks as well as proposing actions to mitigate them.</li> </ul>		
<b>MEMBERS OF COMMITTEE (*):</b>	<b>DATE</b>		<b>POSITION IN THE COMMITTEE</b>
<b>FULL NAMES</b>	<b>STARTING DATE (**)</b>	<b>END (***)</b>	
<b>Carmen Rosa Graham</b>	27 AUG 2014		President
<b>Oscar Espinosa Bedoya</b>	27 AUG 2014		Regular Member
<b>Andreas von Wedemeyer</b>	27 AUG 2014		Regular Member
<b>Manuel Bustamante</b>	27 AUG 2014		Regular Member

## 2— Section B

<b>Ricardo Briceño</b>	31 AUG 2016		Regular Member
<b>Aldo Defilippi</b>	31 AUG 2016		Alternate
<b>Eduardo Montero</b>	31 AUG 2016		Alternate
<b>Raúl Ortiz de Zevallos</b>	31 AUG 2016		Alternate
% Independent Directors in the Committee			40%
Number of sessions during the fiscal year:			2
Has delegated faculties according to the article 174 of the Law of Business Associations:			<b>YES</b>   X   <b>NO</b>
The committee or its President participate in the GSM			<b>YES</b>   X   <b>NO</b>

<sup>(1)</sup> Provide information on the people who are or have been part of the Committee during the fiscal year being reported,

<sup>(2)</sup> Corresponds to the first appointment as member of the Committee of the Corporation that reports.

<sup>(3)</sup> To be filled in only in case they have ceased to be members of the committee during the fiscal year.

**Principle 22: Code of Ethics and conflicts of interest**

QUESTION III.15	YES	NO	EXPLANATION
Does the corporation have measures in place to prevent, detect, manage and expose any conflicts of interests that may arise?	x		Detailed in the conflict of interests chapter of the Code of Ethics

## 2— Section B

Specify, if applicable, the area and/or person responsible for follow-up and control of possible conflicts of interests. If there is a person in charge, specify their position and work area.

Area in charge	Corporate Affairs Management	
<b>PERSON IN CHARGE</b>		
Name	Position	Area
Eduardo Ramirez del Villar	Corporate Affairs Manager - Ethics and Compliance Officer	Corporate Affairs

<b>QUESTION III.16 / COMPLIANCE</b>	<b>YES</b>	<b>NO</b>	<b>EXPLANATION</b>
a. Does the corporation have a Code of Ethics (*) that comprises ethical criteria and professional responsibility, including how to handle possible conflicts of interests, and whose compliance is mandatory for the corporation's directors, managers, officials and all employees(**)?	X		The corporation has a Code of Ethics that is published and provided to all the corporation's collaborators through the Intranet; it is part of the induction process for new personnel. The Code of Ethics is mandatory for all directors, managers, officials and employees.
b. Does the Board of Directors or General Management approve training programs for Code of Ethics compliance?	X		General Management approves the publication of the Code of Ethics in the corporate Intranet so that it is available for all the corporation's collaborators. It is also included as a discussion topic in the induction process for new employees.

<sup>(\*)</sup> The Code of Ethics can be part of the Internal Business Conduct Guidelines.

<sup>(\*\*)</sup> The terms "employees" is applicable to all persons that have a work relationship with the corporation, regardless of their regime or work system.

## 2— Section B

If the corporation has a Code of Ethics, specify the following information:  
The Code of Ethics is available to:

	YES	NO
Shareholders	X	
Other persons to whom it is applicable	X	
General public	X	

a. Specify the area and/or person responsible for follow-up and control of the Code of Ethics. If there is a person in charge, specify their position, work area and to whom they report.

Area in charge	Corporate Affairs Management		
PERSON IN CHARGE			
Name	Position	Area	Reports to
Eduardo Ramirez del Villar	Corporate Affairs Manager – Ethics and Compliance Officer	Corporate Matters	General Management

b. Is there a record of Code of Ethics non-compliance cases?

YES

NO

## 2— Section B

c. Specify the number of Code of Ethics non-compliance cases detected or reported during the period.

Number of non-compliances	5
---------------------------	---

QUESTION III.17	YES	NO	EXPLANATION
a. Does the corporation have mechanisms in place to allow reporting illegal or unethical behavior, in such a way that the anonymity of the complainant is guaranteed?	X		The corporation has designated an official that is in charge of ensuring the compliance of the Code, called the Ethics and Compliance Officer, to whom the directors, employees or any other person must report immediately any event, situation or behavior that breaches the Code.
b. Are the complaints presented directly to the Audit Committee when they are related to accounting issues, or when Finance Management or General Management is involved?	X		The Code of Ethics specifies that when complaints are related to accounting issues, to General Management or to any director, they must be presented to the Boards' Audit Committee or directly to the Board.

## 2— Section B

QUESTION III.18	YES	NO	EXPLANATION
a. Is the Board responsible to follow-up and control possible conflicts of interests that may arise within the Board?	X		
b. In case the corporation is not a financial institution, is it established as a policy that the Board members are prohibited from receiving loans from the corporation or any company from the group, except when explicitly authorized by the Board?			Article 10 of the Board Regulation is related to the salary of the Board members and specifies that during the current period it is possible to arrange advance payments. In case the advance payments exceed the annual allowance, or when they are given for a period that exceeds the following Board allowance, it will be considered a loan, and they must be approved by the Nominations and Remunerations Committee.
c. In case the corporation is not a financial institution, is it established as a policy that the Senior Managers are prohibited from receiving loans from the corporation or any company from the group, except when explicitly authorized by the Board?	X		The Board has approved a regulation through which it delegates approval of loans for Senior Management to its President and to the General Manager.

- a. Specify the following information for Senior Managers that are shareholders of the corporation with a 5% or higher participation.

**NOT APPLICABLE**

NAME	POSITION	NUMBER OF SHARES	PARTICIPATION PERCENTAGE
No Senior Manager has a 5% or higher participation			
Percentage of shares held by Senior Management			



## 2— Section B

- b. Specify if any members of the Board or of Senior Management is spouse or parent in first or second degree of any shareholders, other Directors or Senior Managers.

**NOT APPLICABLE**

Name	Related to:			Name of Shareholder / Director / Manager	Relationship type (**)	Additional Information (***)
	Shareholder (*)	Director	Senior Management			
No member of the Board or of Senior Management satisfies this condition						

(\*) Shareholders with a 5% or higher participation.

(\*\*) For relationship purposes, the criteria of relationships specified in the Indirect Properties, Relationship and Economic Groups regulation would be applicable.

(\*\*\*) If there exists a relationship with any shareholder, specify their participation percentage. If the relationship is with a manager, specify their position.

- c. In case any member of the Board holds or has held any management role in the corporation during the period applicable for this report, specify the following information:

**NOT APPLICABLE**

Name	Management role held	Period in Management role	
		Start (*)	End (**)
No member of the Board has held a management position			

(\*) Corresponds to the first appointment to a management role within the corporation.

(\*\*) Specify only if the person left the management role during the period.

## 2— Section B

- d. In case any member of the Board or of Senior Management has had any important (according to its amount of nature) commercial or contractual relationship with the corporation during the period, specify the following information:

**NOT APPLICABLE**

Name	Relationship type	Brief Description
No member of the Board or of Senior Management satisfies this condition		

**Principle 23: Operations with parties**

QUESTION III.19	YES	NO	EXPLANATION
a. Does the Board have procedures and policies to assess, approve and disclose certain operations between the corporation and related parties, as well as to learn about commercial, personal, direct or indirect relationships that Directors have between themselves or with the corporation, suppliers, clients of other groups of interest?	X		<p>Ferreycorp has procedures and policies at Board level to assess, approve and disclose certain operations between the corporation and related parties, as well as to learn about commercial, personal, direct or indirect relationships that Directors have between themselves or with the corporation, suppliers, clients of other groups of interest.</p> <ol style="list-style-type: none"> <li>1. There is a formal definition of parties that have a relationship with or within the corporation.</li> <li>2. Transactions between related parties, according to that definition, have been identified and disclosed during the year chosen for validation. In addition, corporate rules related to transfer prices between related companies, to loans to Ferreycorp's related companies and to the granting of guarantees to Ferreycorp's subsidiaries, have been published.</li> </ol>

## 2— Section B

b. In case of operations of special importance or complexity, is the intervention of external, independent consultants considered for the assessment?	X		
---	---	--	--

a. If the answer to part a) of Question III.19 was Yes, specify the areas of the corporation responsible for managing operations between parties for the following matters:

Matter	Area in charge
Assessment	An external consultant creates a report of transfer prices, in coordination with Corporate Finance Management.
Approval	Ferreycorp General Management
Disclosure	Board of Directors

b. Specify the procedures to approve transactions between related parties:

We consider market value prices and a report of transfer prices between the corporation and its subsidiaries.

c. Specify the operations, between the corporation and its related parties, that have been carried out during the period and which are important due to their amount or subject matter.

NAME OF SOCIAL DENOMINATION OF RELATED PARTY	RELATIONSHIP NATURE(*)	OPERATION TYPE	AMOUNT (PEN)
Ferreyros S.A.	Subsidiary, 99.9%	Sale of premises	49,534,794
Ferreyros S.A.	Subsidiary, 99.9%	Rental of premises	28,583,582

## 2— Section B

NAME OF SOCIAL DENOMINATION OF RELATED PARTY	RELATIONSHIP NATURE(*)	OPERATION TYPE	AMOUNT (PEN)
Ferreyros S.A.	Subsidiary, 99.9%	Granted Loans	11,329,682
Ferreyros S.A.	Subsidiary, 99.9%	Enterprise support	6,817,245
Ferreyros S.A.	Subsidiary, 99.9%	Rental of premises	2,483,336
Ferreyros S.A.	Subsidiary, 99.9%	Granted Loans	1,998,209
Unimaq S.A.	Subsidiary, 99.9%	Granted Loans	9,431,719
Orvisa S.A.	Subsidiary, 99.9%	Granted Loans	2,131,871
Motored S.A.	Subsidiary, 99.9%	Granted Loans	1,027,558
Soltrak S.A.	Subsidiary, 99.9%	Granted Loans	1,551,089
Inti Inversiones Interamericanas Corp.	Subsidiary, 99.9%	Granted Loans	9,690,775
Equipos y Servicios Trex	Subsidiary, 99.9%	Granted Loans	1,456,667
Soltrak S.A.	Subsidiary, 99.9%	Granted Loans	1,289,117

<sup>(\*)</sup> For relationship purposes, the criteria of relationships specified in the Indirect Properties, Relationship and Economic Groups regulation would be applicable.

a. Specify if the corporation sets limits to operations with related parties:

YES

NO

## 2— Section B

**Principle 24: Senior Management duties**

QUESTION III.19	YES	NO	EXPLANATION
a. Does the corporation have a clear policy of separation of duties between the Board's management or governance, Senior Management's functions and General Manager's leadership?	X		
b. Different persons handle the appointments of General Manager and President of the Board of the corporation?	X		
c. Does Senior Management have enough autonomy to carry out its assigned duties, within the framework of the policies and guidelines defined by the Board?	X		
d. Is General Management responsible for complying with, and ensuring compliance with, the policy of providing information to the Board and its Directors?	X		
e. Does the Board annually assess the performance of General Management according to well-defined standards?	X		
f. Does the General Management compensation contain a fixed component and a variable one that consider the corporation's results, based on taking risks in a cautious and responsible manner, and in the achievement of goals outlined in the corresponding plans?	X		

a. Specify the following information related to the General Manager and management team's compensations (including bonuses).

## 2— Section B

Position	Compensation (*)	
	Fixed	Variable
General Manager and management team	0.37%	0.12%

<sup>(\*)</sup> Specify the percentage that corresponds to the total amount of annual compensations of members of Senior Management as compared to the level of gross income, according to the corporation's financial statements.

- b. If the corporation grants bonuses or reparations different from those determined by law to Senior Management, specify the way in which these are paid.

	Gerencia General	Gerentes
Shares granting	No	No
Options granting	No	No
Money granting	Yes	Yes
Others (specify)		

- c. If the compensation contains a variable component, specify the main criteria used to determine it.

The variable component is first determined according to the company's results and then considering the person's performance. Criteria such as accomplishment of goals, value generation impact, constant improvement contribution, as well as leadership elements, interpersonal relationships and communication skills are considered.

2— Section B

d. Specify whether the Board assessed the General Management’s performance during the period.

YES

NO

PILLAR IV: RISKS AND COMPLIANCE

Principle 25: Risk management system framework

QUESTION IV.1	YES	NO	EXPLANATION
a. Does the Board approve an integral risk management policy according to its size and complexity, promoting a risk management culture within the corporation, from the Board and Senior Management to all employees?	X		Yes, this policy defines the framework for integral risk management and guarantees its implementation in Ferreycorp and all its subsidiaries. It is reviewed every two years or when it is deemed necessary to update it, according to the risk management guidelines, standards and best practices
b. Does the integral risk management policy cover all companies within the group and does it provide a global view of critical risks?	X		The risk policy is a corporate one and covers all companies within the corporation.

Does the corporation have a risk management delegation policy that defines the risk limits that can be managed at each company level?

YES

NO

2— Section B

QUESTION IV.2	YES	NO	EXPLANATION
a. Does General Management handle the risks to which the corporation is exposed, and provides the information to the Board?	X		Yes, through the Board's Audit and Risks Committee.
b. In case a Risk Committee or a Risk Management does not exist, is General Management responsible for the risk management system?	X		There is a Risk Management and a Risk Committee that monitor the main risks to the business goals. In addition, Internal Audit Management has established a control system. Both systems are presented to the Board, directly or through its Audit and Risks Committee.

Does the corporation have a Risk Manager?

YES

NO

If the answer to the above question is Yes, specify the following information.

Name	Period in position		Reporting area/Body
	Begin (*)	End (**)	
Daniela Flores	01 JUL 2015		The Risks Executive is in charge of following up corporate risks; she reports to Corporate Finance Management and to the Risks Committee.

(\*) Corresponds to the first appointment within the corporation.  
 (\*\*) Specify only if the person left the role during the period.



## 2— Section B

QUESTION IV.3	YES	NO	EXPLANATION
Does the corporation have an internal and external control system, and does the Board supervise its efficiency and suitability?	X		

**Principle 26: Internal audits**

QUESTION IV.4	YES	NO	EXPLANATION
a. Is the internal auditor dedicated exclusively to performing audits, with autonomy, experience and specialization in the domain areas, and Independence for the follow-up and assessment of the risk management system efficiency?	X		
b. Does the internal auditor have the duties to continuously assess if the financial information generated or recorded by the corporation is valid and trustworthy, and to verify the efficiency of the compliance with standards?	X		Internal Audits in Ferreycorp: independent area of the corporation that continuously analyzes, assesses and controls the policies, procedures, practices and activities that comprise the corporation's internal control system.
c. Does the internal auditor directly report to the Audit Committee the plans, budgets, activities, progresses, results, and actions?	X		

a. Specify if the corporation has an independent area dedicated to internal audits.

YES

NO

## 2— Section B

If the answer to the above question is Yes, indicate the area to which internal audits reports, within the corporation’s hierarchical organization.

Reports to:	The internal auditor reports to the President of the Board and regularly makes presentations to the Board’s Audit Committee.
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a. Specify if the corporation has a Corporate Internal Auditor.

YES 
   
 NO

Specify the main responsibilities of the internal auditor and if he/she performs other duties other than internal auditing.

i) Manages internal and information systems audits, in the main premises, branches, mining and subsidiaries ii) Assesses the internal control system for money and asset laundering, according to current SBS (Banks and Assurance Superintendency) financial intelligence unit regulations, presenting the final report to the compliance officer iii) Regularly reports to Senior Management and Management Committee the results of the internal audits activities iv) Considers the reviews performed by external auditors to develop work plans v) Creates a report for each performed audit, that contains the control deviations detected and the agreed suggestions with the audited area to correct the deviations, among others.

QUESTION IV.5	YES	NO	EXPLANATION
Does the Board appoint and dismiss the internal auditor based on proposals of the Audits Committee?	X		Article 14 of the Board’s and Board Committees’ Internal Regulation indicates that the Board has the power to appoint, assess and dismiss the internal auditor, according to recommendations of the Audits Committee. Moreover, Article 23 of the same Regulation indicates that one of the duties of the Audits and Risks Committee is to propose to the Board an internal auditor when a change is required.

2— Section B

**Principle 27: External auditors**

QUESTION IV.6	YES	NO	EXPLANATION
Does the General Shareholders meeting, upon request from the Board, assign an auditing firm or an independent auditor that is clearly independent from the corporation?	X		The Board, aware of the recommendations that arise from the new principles of good corporate governance to Peruvian associations, proposes that the Shareholders Meeting must assign the auditing firm for the period, delegating to the Board the negotiation and approval of the contractual conditions.

a. Does the corporation have a policy for assigning the external auditor?

YES

NO

b. If the auditing firm has performed other services different from account audits, specify if the corresponding contract was informed to the general Shareholders Meeting, including the percentage that the billing of those services represent when compared to the total billing of the auditing firm to the company.

YES

NO

c. Do the persons or entities from the auditing firm provide services to the corporation other than account auditing?

YES

NO

## 2— Section B

If the answer to the above question is Yes, specify the following information related to additional services provided by persons or entities from the auditing firm during the reported period.

Name or legal name	Additional Services	Percentage of compensation (*)
Gaveglio, Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada, a member company of PricewaterhouseCoopers (PwC)	Transfer Prices Studies	20.6%
	Review of Income tax Sworn Statements	24.6%

<sup>(\*)</sup> Billing of additional services over billing of auditing services.

d. Specify if the auditing firm assigned different teams in case additional services, other than account auditing, were provided.

YES

NO

## 2— Section B

QUESTION IV.7	YES	NO	EXPLANATION
a. Does the corporation have a renewal policy for its independent auditor or auditing firm?	X		<p>The Company policy is that the same auditing firm can review the financial statements for up to five consecutive years; this can be extended for an additional period if the provided services were satisfactory and adequate in economic terms; in that case, a more comprehensive assessment must be done by the Board's Audits Committee and the Board. The partner, the auditor responsible for the work and the members of the external audit team must be regularly changed.</p> <p>The auditing firm to be hired is assigned by the General Shareholders Meeting.</p>
b. If the renewal policy defines larger renewal periods, is the work team from the auditing firm changed at least every five (5) years?	X		<p>In line with the external auditors renewal policy, the General Shareholders Meeting approved the hiring of Gaveglio, Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada, a member company of PricewaterhouseCoopers (PwC) for the 2016 financial statements audit.</p>

Specify the following information for the auditing firms that have provided services to the corporation during the last five (5) years.

## 2— Section B

LEGAL NAME OF AUDITING FIRM	SERVICE PROVIDED	PERIOD	PAYMENT (USD)
Gaveglío, Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada, firma miembro de PricewaterhouseCoopers (PWC)	Financial statements audit	2016	68.87%
	Transfer Prices Study Income tax sworn statement review	2016	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Financial statements audit	2015	100.00%
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Financial statements audit	2014	100.00%
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Financial statements audit	2013	83.80%
	-Asset laundering prevention audit -Others	2013	
Medina, Zaldívar, Paredes & Asociados S.C.R.L.	Financial statements audit	2012	83.80%
	Asset laundering prevention audit Procedures about Net Assets acquired from Bucyrus Others	2012	

## 2— Section B

LEGAL NAME OF AUDITING FIRM	SERVICE PROVIDED	PERIOD	PAYMENT (USD)
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Assistance in determining the Purchase Price Allocation Salary survey	2012	
Dongo-Soria Gaveglio y Asociados Sociedad Civil, firma miembro de Price Waterhouse Coopers	Accounting consultancy NIIF Training	2014	
Deloitte & Touche S.R.L.	Tax consultancy Tax and Transfer Prices consultancy Tax consultancy Simple reorganization Personnel selection Risk management implementation	2016	
KPMG Asesores Sociedad Civil de R.L.	Tax consultancy	2015	
	PPA for Trex acquisition	2014	
	PPA for Tecseg and Mercalsa acquisition and for the Mobil business	2008-2013	

<sup>(1)</sup> Include all types of services, such as expert opinions for financial information, accounting assessment, operational audits, systems audits, tax audits and other services.

<sup>(2)</sup> From the total amount paid to the auditing firm for all concepts, specify the percentage that corresponds to financial audits services.

QUESTION IV.8	YES	NO	EXPLANATION
In the case of economic groups, is the external audit the same for the whole group, including offshore subsidiaries?	X		

## 2— Section B

Specify if the auditing firm hired to dictate the financial statements of the corporation for the period subject of the present report did also dictate the financial statements for other companies of your economic group.

YES

NO

If the answer to the above question is Yes, specify the following information:

LEGAL NAME OF THE COMPANIES IN THE ECONOMIC GROUP
Ferreyros S.A.   Orvisa S.A. y sus subsidiarias   Unimaq S.A.   Motored S.A.   Fiansa S.A.   Fargoline S.A.   Forbis Logistics S.A.   Soltrak S.A.   Inti Inversiones Interamericanas Corp. and subsidiaries   Maquicentro S.A.   Inmobiliaria CDR S.A.C.   Soluciones Sitech Perú S.A.   Trex Latinoamérica and subsidiaries   Motriza S.A.   Ferrenergy S.A.C

### PILLAR V: INFORMATION TRANSPARENCY

#### Principle 28: Information policy

QUESTION V.1	YES	NO	EXPLANATION
Does the corporation have an information policy for shareholders, investors, other groups of interest and the market in general, in which it defines in a formal, integral and orderly way the guidelines, standards and criteria that will be applied for handling, compiling, developing, classifying organizing and distributing the information that the corporation generates or receives?	X		



## 2— Section B

a. If applicable, specify if according to your information policy the corporation distributes the following:

	YES	NO
Corporation objectives	X	
Board and Senior Management members	X	
Shares structure	X	
Economic group description	X	
Financial statements and annual report	X	
Others (detail)		

b. ¿Does the corporation have a corporate web page?

YES

NO

The corporate web page includes:

## 2— Section B

	YES	NO
A specific section about corporate governance or relationship with shareholders and investors that includes a Corporate Governance Report	X	
Important events	X	
Financial information	X	
Charter	X	
General Shareholders Meeting Regulation and information about meetings (attendance, minutes, others)	X	
Board composition and regulation	X	
Code of Ethics	X	
Risk policy	X	
Social Responsibility (community, environment, others)	X	
Others (detail)		

QUESTION V.2	YES	NO	EXPLANATION
Does the corporation have an investors' relationships office?	X		

In case an investors' relationships office exists, specify the person in charge.

2— Section B

Person in charge of investors' relationship office	Elizabeth Tamayo
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In case an investors' relationships office does not exist, specify which is the unit (department or area) or person in charge of receiving and handling the request for information of the corporation's shareholders and public in general. If it is a person, also specify their charge and work area.

Area in charge	
----------------	--

PERSON IN CHARGE		
Name	Position	Area

**Principle 29: Financial Statements and Annual Report**

If there are exceptions in the external auditor's report, have these been explained or justified to the shareholders?

**NOT APPLICABLE, THERE ARE NO EXCEPTIONS**

YES

NO

## 2— Section B

**Principl 30: Shares structure information and agreements between shareholders**

QUESTION V.3	YES	NO	EXPLANATION
Does the corporation disclose the ownership structure, taking into account the different types of shares and, if applicable, the joint participation of a given economic group?	X		Ferreycorp has a single type of share, the Common Share, and reports the structure in accordance to current regulation, identifying shareholders with a 5% or higher participation.

Specify the composition of the corporation's share structure at period closing.

OWNERSHIP OF SHARES WITH RIGHT TO VOTE	NUMBER OF OWNERS (AT PERIOD CLOSE)	PARTICIPATION PERCENTAGE
Less than 1%	2,305	25.86%
Between 1% and 5%	18	39.07%
Between 5% and 10%	5	35.07%
Higher than 10%	0	0%
Total	2,328	100%

## 2— Section B

OWNERSHIP OF SHARES WITHOUT RIGHT TO VOTE (IF APPLICABLE)	NUMBER OF OWNERS (AT PERIOD CLOSE)	PARTICIPATION PERCENTAGE
Less than 1%		
Between 1% and 5%	1	4.95%
Between 5% and 10%		
Higher than 10%		
Total	1	4.95%

OWNERSHIP OF INVESTMENT SHARE (IF APPLICABLE)	NUMBER OF OWNERS (AT PERIOD CLOSE)	PARTICIPATION PERCENTAGE
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
Higher than 10%		
Total		

Percentage of shares in portfolio as compared to social capital: **4.95%**

2— Section B

QUESTION V.4	YES	NO	EXPLANATION
Does the corporation disclose information about agreements or pacts between shareholders?	X		There have not been any agreements or pacts between shareholders.

a. Does the corporation keep a record of current pacts between shareholders?

YES

NO

b. In case there was any agreement or pact between shareholders that was informed to the corporation during the period, specify their subject matter.

Election of Board members	
Voting rights of assemblies	
Restrictions to free transferability of shares	
Changes in the corporation's Articles of Incorporation or charter	
Others (detail)	

2— Section B

**Principle 31: Corporate governance report**

QUESTION V.5	YES	NO	EXPLANATION
Does the corporation disseminate the adopted standards on corporate governance in an annual report, whose content is responsibility of the Board, based on a prior report from the Auditing Committee, the Corporate Governance Committee or an external consultant?	X		The corporation disseminates the standards adopted on corporate governance in the Annual Report.

a. Does the corporation have mechanisms in place for the internal and external dissemination of corporate governance practices?

YES

NO

If the answer to the above question is Yes, specify those mechanisms.

The corporation disseminates the corporate governance practices through its website, its Intranet, its standards and procedures, its Annual Report, its events and presentations to investors, and when it participates in tenders.

## B— Corporation Documents' Contents

Specify in which of the following corporation documents these subjects are regulated:

		PRINCIPLE	CHARTER	INTERNAL REGULATIONS (*)	MANUAL	OTHERS	NOT REGULATED	NOT APPLICABLE	DOCUMENT NAME (**)
1.	Policy for payment or exchange of non-voting right shares	1						X	
2.	Method to record the rights of share ownership and who is responsible of recording	2	X		X	X			
3.	Procedures for selection of external consultant to give independent opinion on the Board's proposals for corporate operations that may affect the shareholders' non-dissolution right	3		X					
4.	Procedure to receive and handle the requests for information and opinions of shareholders	4	X	X					
5.	Dividends policy	5				X			
6.	Politics or agreements to avoid adopting anti-takeover mechanisms	6						X	
7.	Arbitration agreement	7	X						
8.	Policy to select corporation Directors	8	X	X					



## 3— Section C

		PRINCIPLE	CHARTER	INTERNAL REGULATIONS (*)	MANUAL	OTHERS	NOT REGULATED	NOT APPLICABLE	DOCUMENTNAME (**)
9.	Policy to assess compensations of the corporation Directors	8	X						
10.	Mechanism to make available to shareholders information related to the contents of the General Shareholders Meeting agenda and proposals agreed upon.	10		X					
11.	Additional means to those established by law, used by the corporation to call meetings	10		X					
12.	Additional mechanisms for shareholders to propose agenda items to be discussed at the General Shareholders meeting.	11		X					
13.	Procedures to accept or dismiss shareholders' proposed Agenda items to be discussed at the General Shareholders meeting.	11	X	X					
14.	Mechanisms to allow remote participation of shareholders.	12		X					
15.	Procedures for shareholders' differential voting	12		X					
16.	Procedures for vote delegation	13		X					
17.	Requirements and formalities for a shareholder to be represented in a Meeting	13	X	X					
18.	Procedures for vote delegation to Board or Senior Management members	13		X					

## 3— Section C

		PRINCIPLE	CHARTER	INTERNAL REGULATIONS (*)	MANUAL	OTHERS	NOT REGULATED	NOT APPLICABLE	DOCUMENT NAME (**)
19.	Procedures to follow-up the General Shareholders Meeting's agreements	14		X					
20.	Minimum and maximum number of Directors to be included in the corporation's Board	15	X	X					
21.	Duties and rights of the corporation's Directors	17	X	X					
22.	Types of bonuses that the Board receive for accomplishment of the corporation's goals	17							
23.	Hiring policy for consultancy services for Directors	17							
24.	Induction policy for new Directors	17	X	X					
25.	Special requirements to be appointed Independent Director	19		X					
26.	Criteria for assessment of performance of the Board and its members	20							
27.	Policy to determine, follow-up and control possible conflicts of interests	22							
28.	Policy to define the procedure to assess, approve and disclose operations between related parties	23				X			
29.	Responsibilities and duties of the Chairman of the Board, CEO, General Manager and other Senior Management members	24	X	X					
30.	Criteria to assess performance of Senior Management	24		X					

## 3— Section C

		PRINCIPLE	CHARTER	INTERNAL REGULATIONS (*)	MANUAL	OTHERS	NOT REGULATED	NOT APPLICABLE	DOCUMENTNAME (**)
31.	Policy to set and assess Senior Management's compensations	24		X					
32.	Integral risks management policy	25			X				
33.	Responsibilities of the Internal Auditor	26			X				
34.	Policy for assigning External Auditor, determining contract duration and criteria for renewal	27				X			
35.	Policy for information disclosure and communication to investors	28		X	X				

(\*) Includes General Shareholders Meeting Regulation, Board Regulation and others published by the corporation.

(\*\*) Specify the document name, except in the case of the corporation Charter